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APR 2 1981

BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Honorable Les AuCoin House Of Representatives

ORIGINAL

Foreign Investment In U.S. Seafood Processing Industry Difficult To Assess

COMPLETED

Foreign investment in the U.S. seafood processing industry has increased in recent years, but its extent and impact are uncertain.

Some industry and public officials are concerned that dependency on foreign sources of capital is causing U.S. processors to lose control of the industry.

Complete and actual disclosure of investment data is lacking, making analyses difficult. GAO raises significant questions concerning the effect of this investment.

CED-81-65
MARCH 30, 1981

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WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-202302

The Honorable Les AuCoin
U.S. House of Representatives

Dear Mr. AuCoin:

In response to your October 3, 1979, request and discussions with your office, this report discusses foreign investment in the U.S. seafood processing industry. It deals with the extent and nature of foreign investment and the impact of such investment.

As agreed with your office, we are sending copies of this report to congressional committees and the heads of departments and agencies whose programs we discuss. Copies are also being sent to appropriate interested parties and will be available to others upon request.

Sincerely yours,

Henry Eschwege

Henry Eschwege
Director

A

GENERAL ACCOUNTING OFFICE
REPORT TO THE
HONORABLE LES AUCOIN
HOUSE OF REPRESENTATIVES

FOREIGN INVESTMENT IN U.S. SEAFOOD PROCESSING INDUSTRY DIFFICULT TO ASSESS

D I G E S T

Recent increases in foreign investment in the U.S. seafood processing industry have caused concern among industry and public officials that U.S. owners and managers are losing control of the industry. They fear that foreign investors may unduly influence U.S. production, marketing, pricing, and fisheries development.

In response to a congressional request, GAO studied the extent and nature of foreign investment and its impact on the seafood processing industry.

EXTENT OF FOREIGN INVESTMENT

GAO identified 61 U.S. seafood processing firms with foreign ownership. The majority were in Washington, Oregon, and Alaska, and the remaining firms were in six east coast States. (See pp. 4 to 13.)

GAO also identified 27 U.S. seafood processing firms located in Washington, Alaska, and on the east coast which had loans from foreign sources. Sixteen of the firms also had foreign ownership. (See pp. 4 to 11.)

DATA ON FOREIGN INVESTMENT IS INCOMPLETE

Federal and State Government information on the extent of foreign investment in seafood processors is incomplete. The Commerce Department's Bureau of Economic Analysis is the principal Federal source for foreign ownership data. However, the Bureau's data classification procedures, consolidated reporting practices, and

filing exemptions prevent a complete and accurate disclosure of foreign ownership in a specific industry such as seafood processing. (See p. 14.)

Another Commerce Department agency, the Office of Foreign Investment in the United States, has primary responsibility for analyzing the effects of foreign investment. Until recently, however, the Office had not studied the seafood processing industry because the Office considers it to be a minor industry. In response to two congressional requests in 1979, the Office agreed to assess the extent and impact of foreign investment on seafood processors. The Office plans to issue this report in late 1981. (See pp. 15 to 16.)

Most of the States covered by GAO's review did not require firms doing business in their States to disclose foreign investment. Alaska requires disclosure of foreign ownership but not foreign loans. Enforcement of this requirement, however, has been lax. In 1980 Alaska enacted changes to strengthen its foreign ownership disclosure requirement. (See pp. 17 to 18.)

VARYING AND INCONCLUSIVE EFFECTS OF FOREIGN INVESTMENT

GAO found no consensus on the effects of foreign investment on seafood processors. While some industry and public officials believed that foreign investment affected seafood processors, others could discern little or no effect. Some believed that foreign investors may manipulate the industry while others believed that foreign investment supplies necessary and beneficial funds to U.S. seafood processors. (See pp. 20 to 31.)

The uncertainty and lack of consensus among seafood processors was highlighted by the results of GAO's industry questionnaire. Many respondents were reluctant

to answer certain questions or said they had no basis to judge the impact of foreign investment. (See apps. I to VI.)

ISSUES AND OBSERVATIONS

While a complete understanding of foreign investment is hindered by the absence of data and the lack of agreement among knowledgeable officials, GAO noted several potentially important observations and related questions.

1. A high percentage of foreign investment originates from relatively few companies within one country (Japan). Does such concentration potentially lessen competition and impede free operation of the marketplace?

2. Foreign investors may use a variety of indirect investment methods to gain control of seafood processors. To what degree does such indirect investment hinder the identification of the full extent, nature, and effects of foreign investment?

3. The percentage of the industry's total output that is produced by processors with foreign investment is unknown, as is the relationship between foreign ownership and production in individual processors. Can and should this information be gathered, considering that it would require access to confidential processor information?

4. Foreign representatives are sometimes placed on the board of directors or as executive officers of U.S. seafood processors. Does such action result in processors operating in a manner contrary to U.S. economic policies?

5. Foreign investors may specify certain provisions, such as the right to acquire a portion of a processor's production, in loan agreements with U.S. processors. To what extent do such actions adversely affect the industry's natural market fluctuations?

In deciding whether to explore these questions, consideration needs to be given to the

--expense further study would entail,

--burden further reporting requirements would place on seafood processors,

--possible discouragement of needed investment capital from foreign sources if Federal reporting requirements are increased, and

--results of the Office of Foreign Investment's 1981 study of the extent and impact of foreign investment in seafood processors.

Other economic and social concerns, such as how other industries may be affected by changes in the seafood processing industry, also need to be considered.

AGENCY COMMENTS AND GAO's EVALUATION

GAO furnished a draft of this report to the Department of Commerce and portions of the draft to the State of Alaska for comment. The Commerce Department generally agreed with GAO's observations and conclusions. The agency and the State of Alaska suggested that certain changes be made to add to or clarify information in the report. GAO considered each of the suggestions and made changes where appropriate.

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ABBREVIATIONS

BEA	Bureau of Economic Analysis
GAO	General Accounting Office
NMFS	National Marine Fisheries Service
OFIUS	Office of Foreign Investment in the United States

CHAPTER 1

INTRODUCTION

On October 3, 1979, the Chairman, Ad Hoc Select Subcommittee on Maritime Education and Training, House Committee on Merchant Marine and Fisheries, asked us to gather data on the extent and nature of foreign investment and its impact on the U.S. seafood processing industry. The chairman expressed concern about the apparent marked increase in foreign ownership in the seafood processing industry, especially in the Pacific Northwest and Alaska, since implementation of the Fishery Conservation and Management Act of 1976 (16 U.S.C. 1801 et seq.). The chairman was also concerned about the apparent inadequate information on the extent of foreign investment and its influence on the U.S. fishing industry's development. 1/

PROFILE OF THE SEAFOOD PROCESSING INDUSTRY

The seafood processing industry has many relatively small, privately held firms. Many seafood processors also have few employees. For example, the Economic Development Council of Puget Sound, a nonprofit organization, reported that in Washington State, 48 firms employed fewer than 10 persons in 1979 and only 43 firms employed more than 50 persons; only 2 of these firms employed more than 1,000 persons.

The National Marine Fisheries Service (NMFS) reported that in 1978 there were about 1,500 seafood processing firms in the United States, excluding Alaska. The State of Alaska reported that in 1979 there were 174 seafood processing firms in the State. Some of these firms, however, operate more than one plant. For example, one firm in Alaska had 11 processing plants and another firm had 9 plants.

Many processors had relatively low gross dollar sales. The following table summarizes the 1979 gross revenues of the 260 seafood processors we surveyed (see app. I).

1979 gross operating revenues	Percent
Less than $250,000	24
$250,000 to $499,999	7
$500,000 to $999,999	13
$1,000,000 to $4,999,999	27
$5,000,000 to $9,999,999	12
Over $10,000,000	17
Total	100

1/The subcommittee was not continued for the 97th Congress.

Also, the large majority of these processors were privately owned firms.

PRIOR GAO REPORTS ON FISHERY AND FOREIGN INVESTMENT MATTERS

We have issued several reports in recent years that cover various fishery and foreign investment issues. These reports include:

--"Developing Markets For Fish Not Traditionally Harvested By The United States: The Problems And The Federal Role" (CED-80-73, May 7, 1980). This report discussed the U.S. fishing industry's opportunities to make greater use of fish species that have not been traditionally harvested. We reported that the Federal Government could help the industry to develop nontraditional species by providing financing, consumer education, and quality control programs and by helping to ease trade barriers. We also reported that even though foreign investment is a financing source for U.S. fisheries, concern has been expressed that increased foreign investment may inhibit the United States from developing nontraditional species.

--"Foreign Direct Investment In The United States--The Federal Role" (ID-80-24, June 3, 1980). This report stated that the United States has become increasingly attractive to foreign investors. We recommended that greater emphasis be placed on analyzing and publishing studies concerning the economic impact of foreign direct investment.

--"Should Canada's Screening Practices For Foreign Investment Be Used By The United States?" (ID-79-45, Sept. 6, 1979). This report concluded that a foreign investment screening agency in the United States was not needed at that time.

OBJECTIVES, SCOPE, AND METHODOLOGY

In response to the subcommittee's request, we gathered and reviewed data on the extent and nature of foreign investment in the seafood processing industry in Washington, Oregon, and Alaska. Because seafood is also an important industry in certain east coast areas, we collected foreign investment data in six other States--Connecticut, Massachusetts, New Hampshire, New Jersey, New York, and Rhode Island. We examined two types of foreign investment--ownership or equity interest and loans to seafood processors

from foreign sources. In addition, we gathered information on the impact of foreign investment on the seafood processing industry.

We used various techniques to gather information and analyze the extent and impact of foreign investment. We analyzed responses to a GAO-prepared questionnaire that we sent to seafood processors in Washington, Oregon, Alaska, Connecticut, Massachusetts, New Hampshire, New Jersey, New York, and Rhode Island. Appendix I is a detailed explanation of our questionnaire methodology. Questionnaire responses are in appendixes II through VI. Congressman AuCoin agreed to confidentiality for respondents.

To obtain further data on the extent, nature, and impact of foreign investment, we met with Federal and State Government officials, interviewed seafood industry representatives, and reviewed pertinent studies on foreign investment. We met with headquarters officials and reviewed any foreign investment disclosure requirements at the Departments of Commerce, State, and Justice; the Securities and Exchange Commission; and the Federal Trade Commission. Within the Department of Commerce, we met with headquarters officials from the Bureau of Economic Analysis (BEA), Bureau of the Census, Office of Foreign Investment in the United States (OFIUS), and NMFS. We also met with regional NMFS officials in Juneau, Alaska; Seattle, Washington; and Gloucester, Massachusetts. In addition, we met with officials of the North Pacific Fishery Management Council in Anchorage, Alaska, and the Pacific Fishery Management Council in Portland, Oregon, to obtain further foreign investment information. At the State government level, we met with officials from Washington, Oregon, Alaska, and Massachusetts involved with fishery activities and commerce and economic development.

CHAPTER 2

FOREIGN INVESTMENT IS CONCENTRATED IN WASHINGTON, OREGON, AND ALASKA

Considerable foreign investment in U.S. seafood processors is found in Washington, Oregon, and Alaska. The predominate foreign investors in these States are Japanese fishing and trading companies. In six east coast States, foreign investment originates from Canada, Iceland, Norway, and Great Britain. In our review of nine west and east coast States, we identified 61 U.S. seafood processing firms with foreign ownership and 27 firms with foreign loans. This investment appears to be an increase over the last Federal estimate--a 1974 Department of Commerce study--that identified 47 seafood processing firms nationwide having foreign ownership of 10 percent or more. The Department of Commerce stated that more than half the firms received these investments since 1970.

Foreign firms invest in the U.S. seafood processing industry primarily to gain access to fishery products and for profitmaking opportunities. Favorable foreign exchange rates have also encouraged investment in the United States.

FOREIGN INVESTMENT IN WASHINGTON AND OREGON

Foreign ownership

Although the extent of foreign ownership in Washington and Oregon seafood processors is unknown, we identified 29 processing firms in these States with foreign ownership interest. Twenty of these firms had Japanese ownership. Together, Washington and Oregon have about 200 seafood processing firms.

Through our questionnaires we identified 15 seafood processing firms in Washington and Oregon with foreign ownership--14 in Washington and 1 in Oregon. Two consulting firms' reports to various governments identified foreign ownership in an additional 14 seafood processors.

A consulting firm under contract with the Pacific Northwest Regional Action Planning Commission (a regional intergovernmental planning body) compiled data on the extent of foreign ownership in companies operating in Washington, Oregon, and Idaho during 1979. The consultant's report covered foreign investment in manufacturing, nonmanufacturing

(including seafood processing), resource acquisitions, and financial corporations. The consultant identified six additional seafood processing firms with foreign ownership that were not disclosed in responses to our questionnaire--five in Washington and one in Oregon. According to the consultant's 1980 report

> "* * * the extent of nondomestic investments made in the Pacific Northwest is growing rapidly and may represent a more important factor to the economy than previously recognized. The exact size and scope is virtually impossible to define because of the complicated corporate structures of many foreign investors, the low visibility maintained by many foreign-owned companies, and the lack of broad reporting requirements."

A 1977 State of Alaska contracted study of foreign investment in that State (see p. 8) identified eight additional processing firms headquartered in Washington with foreign ownership. These firms were not disclosed in response to our questionnaire nor included in the consultant's study. The eight firms were still operating during our review.

The following schedule shows that at least 20 of the 29 processing firms had Japanese ownership.

Origin of Foreign Owners

Country of investor	Washington	Oregon	Total
	------(number of firms)------		
Japan	19	1	20
Canada	3	0	3
Mexico	0	1	1
United Kingdom	1	0	1
U.S.S.R.	1	0	1
Unknown	3	0	3
Total	27	2	29

Japanese ownership consisted of a variety of direct and indirect investments. For example, some U.S. processors were wholly or partially owned by Japanese companies; however, other processors may have been owned by U.S. subsidiaries of Japanese companies. In other cases, a U.S. processor may have been owned by another U.S. processor who in turn was owned by a Japanese company.

For 19 of the 20 firms in which ownership data was available, Japanese ownership in Pacific Northwest processing firms ranged from 9 to 100 percent. The most frequent Japanese investors were Marubeni Corporation, which invested in nine firms; Nippon Suisan Kaisha and Nichiro Gyogyo Kaisha, which each invested in three firms; Kyokuyo Company, which invested in two firms; and Taiyo Fishery Company, Fuji Marine Limited, Mitsubishi Corporation, and Mitsui and Company, which each invested in one firm. Some processing firms had more than one Japanese investor.

The known Canadian investors were Rupert's Certi-Fresh Foods, which had 100-percent ownership of one U.S. processor, and a Canadian family, which owned 23 percent of another U.S. processor. Dalgety Limited, a United Kingdom firm, had 100-percent ownership in one processor. The Mexican investor, Poroduc Pesquera del Pacifico, owned 50 percent of one processor. The U.S.S.R. owned 50 percent of one U.S. firm.

Many foreign owners are represented in processors' operations

Many Washington and Oregon processing firms with foreign ownership also had foreign representatives on their board of directors or serving as executive officers. Thirteen of the 15 firms with foreign ownership identified by our questionnaire answered questions about foreign representation. Twelve of the 13 processors said that they had foreign representatives on their board of directors and 8 had foreigners serving as executive officers. Eight firms had both foreign board members and foreign officers.

In terms of size, 10 of the 13 foreign-owned firms responding to this portion of our questionnaire had assets exceeding $1 million. All 13 firms had gross revenues in excess of $1 million for 1979. Five firms had more than $10 million in assets and gross revenues.

Foreign loans

Twenty-seven processing firms responding to our questionnaire said that they had foreign loans in 1979--15 of those firms were in Washington. At least 12 of these 15 processors received their loans from Japanese sources. Eight of the 15 processors also had foreign ownership. None of the responding Oregon processors said that they had loans from foreign sources.

Although the majority of foreign loans were less than $500,000, we noted six firms with at least $1 million in

foreign loans. Also, as the following schedule shows, foreign loans generally comprised a significant portion of the outstanding debt.

Washington State Processors
Total Outstanding and Foreign Debt in 1979

Amount	Outstanding debt	Foreign debt
	(number of processors)	
Less than $250,000	4	5
$250,000 to $499,999	2	3
$500,000 to $999,999	1	1
$1,000,000 to $4,999,999	4	4
$5,000,000 to $9,999,999	1	0
Over $10,000,000	3	2
Total	15	15

Some foreign loans to Washington processors had certain loan conditions. For example, five processors said that their loans provided for the foreign lender to acquire a portion of the processors' production, and four processors' loans called for a representative of the foreign lender to serve as a technician in the processing plants.

FOREIGN INVESTMENT IN ALASKA

Foreign ownership

As with Washington and Oregon processors, the extent of foreign ownership in Alaska seafood processors is unknown. The State of Alaska reported that in 1979 there were 174 seafood processing plants in the State. Through our questionnaire we identified 14 seafood processing firms in Alaska with foreign ownership. A January 1980 study contracted by the State of Alaska identified 23 additional seafood processors with foreign ownership. As shown below, at least 32 of the 37 processing firms had Japanese ownership.

Origin of Foreign Owners in Alaska Processing Firms

Country of investor	Number of firms
Japan	32
Canada	2
Netherlands	1
Unknown	2
Total	37

Sixteen of the 37 processing firms also operated in Washington and are included in the Washington and Oregon section of this chapter.

The Alaska study was performed by a consulting firm at the request of the State House of Representatives Interim Committee on Foreign Investment. Among other things, the committee requested the consulting firm to determine the extent of foreign ownership. The consultant reported that the State's files and records used as the basis for identifying foreign investors were missing information and contained incorrect information. The study stated that because the State of Alaska had incomplete ownership data, there could be many more firms having foreign ownership. Therefore, according to the report, "* * * it was not possible to determine ownership for a number of business entities * * *."

Extensive Japanese ownership in Alaska processors

For 30 of the 32 firms in which ownership data was available, Japanese ownership in Alaska seafood processors ranged from less than 10 percent to 100 percent. As in Washington and Oregon, Japanese ownership may occur directly or through ownership in another company. The following schedule shows the extent of Japanese ownership in 30 Alaska processors.

Extent of Japanese Ownership in Alaska Seafood Processors in 1977

Percent of ownership	Number of firms
100	4
90 to 99.9	3
50 to 89.9	7
25 to 49.9	a/9
Less than 25	7
Total	30

a/Includes one processing firm with 40 percent preferred stock investment.

Marubeni Corporation, a Japanese trading company, had ownership interest in at least 15 Alaska processors. Nippon Suisan Kaisha, a Japanese fishing company, had ownership interest in four processing firms. Accordingly, as many as

19 of the 30 processing firms with identified Japanese investment had an ownership interest by just two Japanese investors. Other Japanese firms that had invested in more than one Alaska processor include Mitsubishi Corporation, a trading company, and Kyokuyo Company, a fishing company.

The two Alaska processors with Canadian owners are both headquartered in Washington. One firm is wholly owned by a Canadian firm that has both Canadian and U.S. interests. The other firm is 23 percent Canadian owned. The processor with ownership from the Netherlands is 40 percent owned by a Netherlands citizen.

Foreign representatives involved in Alaska operations

Like firms in Washington and Oregon, many Alaska processing firms with foreign ownership had foreigners serving on their board of directors or as executive officers Twelve of 14 processors that responded to our questionnaire were corporations. Ten of the 12 processors told us that they had foreign representatives on their board of directors and 8 had foreign executive officers. Eight firms had both foreign board members and foreign officers.

Ten of the 14 processors with foreign ownership had assets over $1 million, and 11 had gross revenues over $1 million for 1979.

Foreign loans

The extent of foreign loans to Alaska processors, like those to Washington firms, is considerable, and most loans are from Japanese investors. Seven Alaska processing firms that responded to our questionnaire said that they had foreign loans; six had loans from Japanese sources. The origin of the other loan was not identified. Three of the Alaska processing firms with foreign loans also had foreign ownership investment.

As the following schedule shows, four of the five Alaska processors with outstanding debts over $1 million were indebted to foreign lenders for amounts exceeding $1 million.

Alaska Processors
Total Outstanding and Foreign Debt in 1979

Amount	Outstanding debt	Foreign debt
	(number of processors)	
Less than $250,000	1	2
$250,000 to $499,999	0	1
$500,000 to $999,999	1	0
$1,000,000 to $4,999,999	3	3
$5,000,000 to $9,999,999	1	1
More than $10,000,000	1	0
Total	7	7

Many of the foreign loans to Alaska processors also had loan conditions. Five processors had provisions for the foreign lenders to acquire a portion of the processors' production, and four processors had provisions for foreigners to serve as technicians in the processing facilities.

FOREIGN INVESTMENT ON THE EAST COAST

Foreign ownership

As in the Pacific Northwest and Alaska, in the six east coast States we surveyed, we were unable to identify the complete extent of foreign ownership in seafood processors. However, we found that at least four foreign countries had invested in east coast seafood processing firms.

NMFS reported that there were about 230 seafood firms in the six east coast States covered by our questionnaire. Through our questionnaire, we identified five seafood processing firms on the east coast with foreign ownership. Using other available sources, including interviews with NMFS and industry officials, we identified six additional processing firms with foreign ownership. Nine of the processors were 100 percent foreign owned. No data was available on the extent of foreign ownership for two processors.

The following schedule shows that investors from at least four foreign countries (Canada, Norway, Iceland, and Great Britain) have invested in east coast seafood processors.

Origin of Foreign Owners

Country of investor	U.S. location						
	Mass.	Conn.	N.Y.	Maine	Penna.	N.J.	Total
	(number of processors)						
Canada	4	-	-	1	-	-	5
Norway	1	-	-	-	-	-	1
Iceland	-	1	-	-	1	-	2
Great Britain	-	-	-	-	-	1	1
Unknown	1	-	1	-	-	-	2
Total	6	1	1	1	1	1	11

All five east coast processors with foreign ownership that responded to our questionnaire had assets exceeding $10 million, and four of the processors had 1979 gross revenues exceeding $10 million. Three of the processors said that they had foreign representatives on their board of directors and one processor had a foreign executive officer.

Foreign loans

Five east coast processing firms that responded to our questionnaire stated that they had foreign loans. All five firms had foreign loans and total outstanding debts in excess of $1 million in 1979, and all five firms had foreign ownership investment.

FOREIGN INVESTORS WANT ACCESS TO FISHERY PRODUCTS AND PROFITMAKING OPPORTUNITIES

The primary reasons that foreign firms invest in U.S. seafood processors are to gain access to fishery products and for profitmaking opportunities. Also, favorable foreign exchange rates encourage investment in the United States.

Access to U.S. fishery products

Seafood processing and Federal officials told us that the primary reason Japanese companies invest in U.S. seafood processors is to have access to a significant and continuous supply of U.S. fishery products. Japan needs this access because it depends on seafood as a source of protein and must look beyond its own fishing industry to meet this demand. U.S. processing firms export considerable amounts of seafood

products to Japan. For example, during 1979 Japan imported about 50 percent of the 195 million pounds of salmon exported by the United States.

According to an NMFS marketing specialist in Seattle, the Japanese have been investing in U.S. processing operations since 1965 when Japanese salmon fishing off Alaska was substantially curtailed. Since Japanese salmon fishing along the U.S. shoreline was restricted, Japanese fishing and trading companies began to seek access to the product by investing in U.S. processors.

Some officials, including a Japanese member of the board of directors of one U.S. processor, told us that the U.S. 200-mile fishery conservation zone, established by the Fishery Conservation and Management Act of 1976, further stimulated Japanese investment. This act allowed the U.S. Government to limit or exclude foreign fishing off U.S. coasts and to impose on both foreign and U.S. fishermen responsibilities for conserving and using the fishing resources within the 200-mile zone. The Japanese official's company--one of Japan's major international fishing companies--had an ownership interest in at least four U.S. processing firms to assure a supply of fish products for the Japanese market.

Profitmaking opportunities

Foreign investors have sought profitmaking opportunities in several ways. First, by gaining access and control of fishery products, the foreign owners can profit from the subsequent resale of those products. Second, foreign owners have an opportunity to expand the marketing of their own fishery products in the U.S. through the processing firms they have invested in. Third, foreign owners hope to earn a return on their ownership interest in U.S. processors.

According to a 1974 Department of Commerce report on foreign investment, expanding market opportunities for a foreign company's products appears to be the primary reason Canadian, Icelandic, Mexican, and Norwegian firms invest in U.S. processors. U.S. affiliates of investors from these countries import considerably more seafood products than they export.

Favorable foreign exchange rates encourage foreign investment

Changes in the exchange rate between the U.S. dollar and foreign currencies affect the desire of foreigners to invest in U.S. seafood processors. Japan's Ministry of Finance attributes the sharp increase in Japan's 1978 overseas investment primarily to the appreciation in the value of the yen vis-a-vis the dollar. Between January 1976 and December 1977 the yen-to-dollar exchange rate ranged from about 304 to 240 yen to the dollar. In 1978 the yen further strengthened--the yen-to-dollar exchange rate fell to 176 yen to the dollar by October 1978. With a stronger yen, Japanese investors could purchase more for their money.

CONCLUSIONS

Considerable foreign investment--primarily Japanese--exists in U.S. seafood processors in Wasnington, Oregon, and Alaska. Significantly less foreign ownership and foreign loans are found in east coast States. The extent of known foreign investment, however, is relatively small compared with the total number of seafood processors operating in Washington, Oregon, and Alaska and the six east coast States included in our review. Although we identified many foreign investors in Alaska, the complete extent of foreign investment in Alaska and other States is unknown. Chapter 3 discusses Government efforts to identify foreign investment.

Primary reasons for foreign investment in U.S. seafood processors include assuring access to U.S. fishery products, seeking profitmaking opportunities, and favorable foreign exchange rates. How foreign investment has affected the U.S. seafood processing industry is described in chapter 4.

CHAPTER 3

GOVERNMENT DATA ON FOREIGN INVESTMENT IS INCOMPLETE

Federal and State Government information on the extent of foreign investment in the U.S. seafood processing industry is incomplete. Federal agencies are not required to maintain a record of U.S. seafood processors that have foreign ownership or foreign loans. Also, most of the States in our review did not require firms to disclose foreign ownership or loans. Although Alaska, an important fishing State, does require firms to disclose foreign ownership, the State has been lax in enforcing this requirement and does not require foreign loans to be disclosed.

SHORTAGE OF FEDERAL DATA ON FOREIGN INVESTMENT IN SEAFOOD PROCESSORS

Federal agencies have incomplete information on foreign investment in the seafood processing industry. The Department of Commerce is the primary Federal agency responsible for collecting and analyzing data on foreign direct investment. 1/ Within the Department, BEA is the principal source for foreign investment data. Other Department offices--OFIUS, NMFS, and the Bureau of the Census--also keep certain foreign investment data. Collectively, however, these Federal agencies have incomplete data on foreign investment in the U.S. seafood processing industry.

Bureau of Economic Analysis

BEA's data classification procedures, consolidated reporting practices, and filing exemptions prevent a complete and accurate disclosure of foreign investment in a specific U.S. industry such as seafood processing.

1/Investment resulting in 10 percent or greater foreign ownership.

BEA classifies its survey data into broad industry categories that do not separately identify seafood processors. Also, BEA permits companies to report on a consolidated basis all of a firm's divisions and subsidiaries. This practice hinders identifying large companies with seafood processing divisions. Moreover, when more than 50 percent of a company's outstanding voting stock is owned by a parent company, BEA allows the parent company to be the sole reporting entity. Since seafood processors are often linked with companies in other industries, seafood processing data could be combined with other industries and not separately classified.

Moreover, because BEA does not collect data from businesses having assets, net sales or gross revenues, and net income of less than $5 million in a reporting year for annual surveys, its current foreign investment data may be understated. Our questionnaire showed that at least 71 percent of the responding processors had assets or gross operating revenues under $5 million. As a result, many seafood processors with foreign ownership may be exempt from BEA's minimum annual reporting level.

Office of Foreign Investment in the United States

OFIUS has primary responsibility for analyzing the effects of foreign investment. Even so, it has not studied foreign investment in the seafood processing industry, primarily because OFIUS officials consider seafood processing to be a minor industry. However, OFIUS has received several requests for studies on foreign investment in the industry.

OFIUS was established in 1975 to (1) develop a consistent and timely data collection and processing system on foreign direct investment in the United States, (2) evaluate and report on the impact of foreign direct investment, and (3) prepare reports for publication. OFIUS, however, collects only publicly reported data, such as data found in newspapers and filings with Federal agencies.

OFIUS has the authority to decide which foreign investment activities it will study. According to OFIUS officials, priority is given to studying foreign investment activities in major industries such as manufacturing, finance, insurance, petroleum, and real estate, where most foreign investment occurs. OFIUS, however, has received requests from various Members of the Congress concerning foreign investment in seafood processors. In June 1979 Senator Ted Stevens of Alaska requested OFIUS to conduct a joint Federal/State of Alaska study on the extent and impact of foreign investment in Alaska

seafood processors. In September 1979 Senator Warren Magnuson of Washington asked the Commerce Department to study the extent and effects of Japanese investment in the U.S. fishing industry. These requests have been consolidated into a single study. To conduct its study, OFIUS plans to survey the industry and issue its report in late 1981.

National Marine Fisheries Service

Although NMFS gathers various data from the seafood processing industry, it does not collect data on foreign investment. NMFS gathers annual fishery production data from seafood processing plants. However, according to headquarters officials, NMFS is concerned with what and how much seafood each plant processes and not with who owns the plants.

Bureau of the Census

In the past, the Bureau of the Census collected relatively little information on foreign ownership. Recent attempts to collect the information, however, do not adequately identify foreign ownership in the seafood processing industry.

During the September 1978 hearings before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations, the Associate Director for Economic Fields, Bureau of the Census, stated that

> "Census participation in the measurement of foreign ownership has been minimal * * * Census has no surveys or programs specifically designed to collect information on foreign ownership, nor are any funds budgeted by the Congress to Census for this purpose."

Recognizing, however, the increasing importance of foreign investment information, several years ago Census supplemented an existing survey to include questions about ownership. The annual survey included a question on whether a foreign entity owns 10 percent or more of the voting stock or other equity rights of the reporting company. If the answer is yes, the reporting company is asked to provide the name and home office address of the owning entity and its ownership percentage.

The survey, however, does not provide complete data to identify foreign ownership in the seafood processing industry because it excludes single-establishment (single plant) firms and partially excludes multi-establishment (multi-plant) firms with fewer than 50 employees.

WASHINGTON AND OREGON DO NOT REQUIRE DISCLOSING FOREIGN INVESTMENT

Neither Washington nor Oregon require firms in their States to disclose foreign ownership or loans from foreign sources. According to officials in these States, neither State government has expressed concern about the extent or effects of foreign investment in seafood processors.

Oregon requires corporations operating in the State to register and file an annual report disclosing the place of incorporation, identity of the registered agent, names and addresses of principal officials, and the nature of the business activity conducted in the State. Similarly, Washington requires registration and an annual report disclosing the place of incorporation, and if that location is out of State, the address of the principal offices. It also requires firms to identify the registered agent and the officers and directors of the corporations and the business activity conducted in that State.

Although neither Washington nor Oregon requires firms to identify foreign owners or foreign lenders, the Pacific Northwest Regional Action Planning Commission (a Federal/State partnership entity) contracted for studies on the extent of foreign ownership in Pacific Northwest industries. The consulting firm reported on the extent of foreign ownership investment in 1975 and 1979. However, these studies did not analyze the effects of foreign ownership or foreign loans.

ALASKA REQUIRES DISCLOSING FOREIGN OWNERSHIP--BUT COMPLIANCE HAS BEEN QUESTIONABLE

Alaska requires U.S. and foreign corporations doing business in the State to disclose foreign ownership. However, according to a State-hired consultant's report on foreign investment in Alaska, until 1979 the State agency that monitors compliance had been lax in assuring that the required disclosures were made. Lax enforcement was the result of vagueness in State laws and insufficient funds to provide effective enforcement. Alaska does not require that foreign loans be reported.

Alaska's attempts to have foreign ownership reported have not produced complete and accurate information. According to the consultant, many of the required annual reports were delinquent for excessive periods. For example, in October 1979 the State was still processing 1978 forms and taxes. State law permitted corporations to be delinquent up to 9 months from the January filing deadline before taking adverse action against a delinquent corporation. We were also told that Alaska never verified the data reported.

Until 1979 the State never returned or rejected any annual reports that were incomplete. In 1979, however, about 75 percent of the approximately 6,000 nondelinquent reports were returned because they were incomplete.

In 1979 a State-hired consultant reviewed the annual reports for 1977. The consultant found numerous reports with deficient or misleading information. The consultant concluded that the reported data was unreliable because it lacked verification. The Director of the Division of Banking, Securities, Small Loans, and Corporations, Alaska Department of Commerce and Economic Development, stated that increasing the accuracy of report filings would require substantial increases in the number of employees and in the division's budget. He said, however, that the State Legislature has failed to provide sufficient financial support to the division to carry out legislative intent.

Improvements enacted

The consultant proposed statutory and administrative changes to improve the completeness and reliability of disclosures. In June 1980 the Governor of Alaska signed into law amendments intended to strengthen Alaska's foreign ownership disclosure requirements. In September 1980 the chairman of the Alaska House Interim Committee on Foreign Investment said that these amendments should improve foreign ownership disclosure requirements and that further changes should not be necessary. He added, however, that the legislature must still provide funding to carry out the additional administrative duties.

MASSACHUSETTS DOES NOT REQUIRE DISCLOSING FOREIGN INVESTMENT

Like Washington and Oregon, Massachusetts does not require firms in the State to disclose foreign investment. The Corporations Division of the Massachusetts Secretary of State's office requires firms incorporated in the State to

file an annual statement of condition. However, the statements only require a firm to disclose its name, address, outstanding stock, and the names and addresses of its principal officers. A representative of the Secretary of State's office said that the agency has no responsibility to monitor foreign investment.

Within the State's Department of Commerce and Development, the Foreign Business Council maintains a listing of foreign-owned firms, including seafood processors. The listing, however, does not include the investment amount. According to a Council official, the purpose of the Council is to promote foreign investment.

CONCLUSIONS

Although various Federal agencies collect data on foreign investment, no single agency maintains a complete record of foreign investment in U.S. seafood processors. Basically, foreign investment information is not available because (1) data gathering and reporting practices prevent collecting accurate data on foreign involvement and (2) the processing industry is relatively small, thus receiving a low priority from those Federal agencies monitoring foreign investment in U.S. industries.

Certain State governments in important fishing areas also do not have data on foreign investment since they do not require firms to disclose any foreign affiliation. Even Alaska, a State that requires foreign ownership disclosure, has not strictly enforced the requirement. Although recent modifications are expected to improve the disclosure of foreign ownership in Alaska businesses, the legislature must still provide funding to carry out these improvements.

Since neither the Federal nor State Government authorities maintain complete data on foreign ownership or loans, the actual extent of foreign investment may be significantly greater than that presently identified. This lack of complete information on foreign investment in the U.S. seafood processing industry is likely to continue if current Federal data collection practices and most State disclosure requirements remain unchanged.

CHAPTER 4

SEAFOOD PROCESSORS AND GOVERNMENT OFFICIALS IDENTIFIED FAVORABLE AND UNFAVORABLE EFFECTS OF FOREIGN INVESTMENT

Through our interviews with industry and Government officials and the responses we received from our questionnaire, we found no consensus on the effects of foreign investment. While some industry and public officials believed that foreign investment affected seafood processors, others could discern little or no effect.

Those processors who believed that foreign investment did affect their firms listed a variety of effects; however, their comments can be grouped into two main areas:

--How foreign investment affects the industry's financial condition.

--How foreign investment affects the industry's operations.

A summary of processors' responses to our questionnaire on the conditions affected by foreign investment are in appendixes II through VI.

To fully understand these industry and Government comments and put them in perspective, the fluctuations in the supply and demand for seafood must also be considered. These factors include fluctuations in the Japanese demand for U.S. seafood products and the large runs of salmon off Japan and Alaska during 1979-80.

HOW FOREIGN INVESTMENT AFFECTS THE INDUSTRY'S FINANCIAL CONDITION

The seafood processing industry is dependent upon securing financing for operating needs. Traditionally, however, U.S. processors have had difficulty obtaining needed funds from U.S. sources; U.S. investors have generally not been interested in this high-risk, low-return industry. Some U.S. processors, however, have been able to attract needed financing from foreign sources--especially Japan.

Difficulties in obtaining loans from U.S. financial institutions

Some processing officials said that they had problems obtaining loans from U.S. lenders. One processing official told us that his firm had been able to secure operating funds from a U.S. bank but had been unable to secure financing for capital needs from U.S. lenders. Loans from Japanese sources, however, were made available because the firm sold a large volume of products to Japanese buyers. As of September 30, 1979, the firm owed Japanese lenders about $7.5 million. Also, officials of this firm told us that they entered into purchase agreements with Japanese buyers whereby the buyer provided advances to cover operating expenses and the processor in turn agreed to sell that buyer a portion of the processed product.

One processor said that since U.S. investors have shown little interest in the industry, no restrictions should be placed on foreign financial sources. This processor, which is almost entirely Japanese owned, believed that if foreign investments were restricted, many processing firms probably would be forced out of business. Another processor with foreign loans said that without sufficient support from U.S. lenders, investors, and the Government, there is little choice but to work with foreigners. These comments were reinforced by a processor who said, "The problem isn't foreign investment, it's American lack of interest."

We discussed problems in securing financing from U.S. sources in our May 7, 1980, report to the Chairman, House Committee on Merchant Marine and Fisheries, entitled "Developing Markets For Fish Not Traditionally Harvested By The United States: The Problems And The Federal Role" (CED-80-73). We reported that U.S. lending institutions often perceive development of nontraditional fisheries, such as Alaska bottomfish, as a high-risk endeavor. As a result, fishermen and seafood processors face difficulties obtaining financing from commercial lenders as well as from Federal agencies, such as NMFS. Although the NMFS Fishing Vessel Obligation Guarantee and Capital Construction Fund Programs are directed to helping obtain financing for the harvesting sector, they use lending criteria that favor traditional fisheries and limit funds for the development of higher risk, nontraditional fisheries. Also, from both programs Capital Construction Fund money is generally not available to finance shoreside processing facilities. Our report suggested that these programs be expanded to include nontraditional fish processors.

In recognition of the need for some higher risk financing for nontraditional species, NMFS proposed legislative changes to the Fishing Vessel Obligation Guarantee Program to provide guaranteed financing for higher risk vessels in developing fisheries. In addition, NMFS initially proposed extending the Capital Construction Fund Program to shoreside facilities. However, the proposal was withdrawn in December 1979, pending further study. According to an official of NMFS' Financial Assistance Division, this study has been held in abeyance pending congressional action on a Capital Construction Fund proposal under consideration.

On December 22, 1980, President Carter signed the American Fisheries Promotion Act (Public Law 96-561). An earlier version of the bill which passed the Senate would have extended the Capital Construction Fund Program to shoreside processors. However, the final version of the act does not include this extension provision.

Dependency on short-term operating loans

Many seafood processors are also extremely dependent on short-term operating loans from foreign sources. Processors must gear up for their operations each year before the start of the fishing/processing season and must pay fishermen for the raw fish when delivered. Processors, however, do not recover these costs until the processed products are sold. In the interim, these firms face considerable cash flow problems. As a result, operating loans are needed until their finished products are sold. Some processors were willing to accept Japanese loans and sales conditions tied to those loans because doing so provided them with needed operating funds and a market for their products.

Foreign equity/loans have strengthened the financial operating capability of U.S. processors

Some industry and Government officials told us that foreign equity and loans have strengthened the financial operating capability of U.S. seafood processors.

Japanese companies have capital available and better loan terms

Processors told us that financing was available from Japanese sources that was not available elsewhere and that this financing was available at better loan terms. One processor said:

> "* * * Capital has been made available by Japanese companies that was not available from other sources. This capital was, and is, used to expand and develop the industry by providing new and improved processing facilities and pack finance." [1/]

* * * * *

> "As prices decline and markets become weak, some marginal operators are unable to survive. Strongly financed operations usually do survive and those entities in the Northwest fish industry, for the most part, have been financed by Japanese companies. This situation has created a misconception on the actual cause of these difficulties and it has been surmised by some that Japanese involvement caused these various problems. In my opinion this is untrue."

A processor with Japanese investment told us that 75 percent of the firm's operating loans are from Japanese banks and 25 percent are from U.S. banks.

The recent (1979-80) high level of U.S. commercial lending rates has inhibited seafood processors' ability to obtain financing from U.S. lenders. The relatively low interest rates charged by Japanese lending sources as compared with U.S. lenders may be sought by U.S. processors either directly or indirectly through a foreign investor. For example, during 1979 Japan's prime lending rate ranged from 3.75 to 6.5 percent. In April 1980 the rate reached 9.25 percent. The U.S. prime lending rate was considerably higher during the same period. For example, the prime rate at the largest commercial bank in the State of Washington, a commonly used lending source for Alaska and Northwest processors, reached 20 percent in early April 1980. In 1979 the prime rate for

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1/Financing for canning and other processing activities.

this bank ranged from 11-1/2 to 15-3/4 percent. Consequently, it seems financially desirable for U.S. seafood processors to seek financing from Japanese sources.

Japanese investment has helped develop Alaska's processing industry

The executive director of the North Pacific Fishery Management Council (Anchorage, Alaska) told us that Japanese investment has helped to develop Alaska's processing sector. According to the executive director of the Pacific Fishery Management Council (Portland, Oregon), many U.S. investors do not understand seafood processing operations and the marketing of seafood products as well as Japanese fishing and trading company officials. An Alaskan investor added that U.S. investors have generally been uninterested because they are unfamiliar with Alaska seafood processing and lower risk, higher return opportunities are available elsewhere.

Another processor stated that when his firm was formed in 1973-74, he tried to secure U.S. sources for equity and operating capital. He discovered, however, that potential U.S. investors and lenders declined financial assistance. As a result, he sought financial assistance from non-U.S. sources and successfully obtained equity and operating assistance from a Japanese company.

HOW FOREIGN INVESTMENT AFFECTS THE INDUSTRY'S OPERATIONS

Some processors and Federal and State officials have become concerned about the increased dependency of U.S. processors on foreign sources of capital and foreign purchases of U.S. fishery products. Because of this dependency, some U.S. processors believe that foreign investors have the ability to control to their own advantage U.S. processors' operations.

Processors' decisions may be controlled by foreign investors

An NMFS Seattle official told us that the extensive Japanese investment in U.S. processors leads to some processors' decisions and actions being controlled by their foreign investors. As an example, he cited a proposal by a processor to purchase and convert a barge into a floating processing vessel. NMFS approval is required for such action. He said that when the processor made his proposal, 16 other processors telephoned NMFS to voice opposition to

the conversion. As a result, NMFS scheduled a hearing on the purchase and conversion; however, only 2 of the 16 complaining processors appeared and testified against the conversion at the hearing. He said that he subsequently checked the financial background of the 16 firms and found that the 2 processors that testified did not have foreign financial support while the other 14 processors did.

Some officials from firms with extensive foreign ownership told us that their foreign investors do not become involved in the firm's operations. The president of one firm told us that the Japanese owners do not place any conditions on the firm's operational decisions. Another processor told us that foreign investors have made various suggestions, but they have not been involved in the firm's operational decisions and have not dictated to the firm's management how to run the company. A third processor told us that as long as the invested company had U.S. managers and employees and the foreign investors stayed out of the firm's operations, the foreign investment was not a problem. Although this firm is more than 90 percent Japanese owned and the majority of its board of directors is Japanese, the officials said that the foreign investors do not become involved in daily operations.

In contrast, the vice president of another processor with substantial foreign investment told us that Japanese investor's representatives are at its headquarters offices in Seattle and that all major policies and decisions come from the investor's offices in Japan. An official from a processing firm without foreign investment believed that while Japanese-owned U.S. processors generally do not change management, foreign investors do exert control and influence over the invested firm's policies and operations.

Foreign investors may control production and marketing

Some officials believed foreign investors can control the marketing and production of seafood products because U.S. firms are dependent on Japanese buyers and many loan agreements have buying conditions.

An official from the Alaska Department of Commerce and Economic Development said that since the Japanese consume a large portion of Alaska's fish production, processors have had an easy time selling to Japanese buyers. As a result, the processors have become dependent on those buyers. The chairman of Alaska's Interim Committee on Foreign Investment told us that this dependence is a major problem for the

processing sector. Since marketing the products is tied to the Japanese market, the price received by the U.S. processors is dependent on conditions in that foreign market.

A common stipulation of most foreign loans to U.S. processors is a first right of refusal on the borrower's production. This stipulation gives the lender the option to purchase the processor's products at whatever selling price the processor is offered from other potential buyers. For example, if a potential buyer offers $1 per pound for a certain species, the loan terms require the processor to first offer the product to the lender at that price. Generally, this option is in effect until the loan is repaid and in some cases for a fixed term after the loan is repaid.

While foreign investment has provided needed financial assistance to U.S. processors, some industry and other officials are concerned about the large amount of foreign investment. As a result, one processor told us that the foreign involvement has tied the U.S. industry to another country. An Alaska Department of Commerce and Economic Development official said that because of the dominant Japanese influence, the State is concerned about the potential for manipulation of the industry because the industry is so closely tied to the Japanese economy. Alaska legislators were also concerned because investors from one foreign country dominate foreign investment in this State.

Foreign investors may control prices

Some seafood processors and Alaska officials expressed concern about the ability of Japanese buyers to get together and discuss pricing strategies. Some processors said that by controlling prices, the Japanese buyers control the activities of most processing firms. The President of the Alaska Senate told us that although he does not believe price fixing has occurred, potential for it exists. However, an official in the Governor's office stated that although there have been allegations of collusive agreement by Japanese buyers, no evidence has been presented to substantiate those allegations.

One processor told us that he believes Japanese fish buyers deliberately raise the price to assure an adequate supply; the processor in turn pays fishermen a high price to assure an adequate supply. The processor said that Japanese buyers are known to break buying agreements. We were told that if the processor tries to get the buyer to honor the agreement, the buyer usually declares that the quality of the product is lower than agreed to and offers to pay a lower

price. The processor told us that Japanese buyers will threaten to try to force the U.S. processor out of business if the processor institutes legal action for noncompliance with the purchase agreement. This practice creates an extremely difficult situation for a U.S. processor.

An official in the Alaska Governor's office said that since processors are so dependent on selling to a particular buyer, if that buyer rejects their product, that processor may not be able to sell to other potential buyers. Some officials told us that Japanese buyers will not buy from a processor that has financial ties with other Japanese investors.

Several processors believed that Japanese buyers set a maximum price that they will pay processors for their product. This practice has created extreme difficulties for both the processing and fishing sectors. For example, in 1979 Alaska processors and fishermen negotiated a price for king crab before the fishing season started. After processors and fishermen agreed to the price, Japanese buying orders arrived at prices that were considerably less than what the processors expected. In some cases, processors had already paid fishermen the previously agreed upon price and therefore faced losses on these products. Subsequently, raw-product purchase prices were reduced, which created financial difficulties for fishermen who had geared up for the season expecting higher prices.

Japanese investment may have a negative impact on Alaska bottomfish development

Foreign ownership can give the investor the potential to influence or control the operations of U.S. seafood processors to the advantage of the foreign investor. As a result, some NMFS, State of Alaska, and processor officials believe the extensive Japanese investments have a negative impact on U.S. bottomfish development. In Alaska, pollock is the dominant bottomfish resource; other abundant species include cod, rockfish, flatfish, and sablefish.

We discussed this concern in our report to the Chairman, House Committee on Merchant Marine and Fisheries, entitled "Developing Markets For Fish Not Traditionally Harvested By The United States: The Problems And The Federal Role" (CED-80-73, May 7, 1980). We reported that concern had been expressed, particularly in Alaska, that the development of nontraditional species may be inhibited because of increasing foreign investment and control over processing firms. We reported that some officials believed Alaska bottomfish development may be slowed because foreign investors may be reluctant

to help develop U.S. bottomfish capabilities. By retarding U.S. bottomfish development, the Japanese can continue to maintain their dominance in harvesting and processing bottomfish fisheries off Alaska. To support U.S. bottomfish development would accelerate the time when foreign operators no longer dominate in the U.S. 200-mile fishing zone off Alaska. Developing U.S. bottomfish capability would reduce bottomfish allocations to foreign countries fishing in the U.S. fishery conservation zone. Such a prospect would not be favorable to foreign countries that fish the zone, particularly Japan. For example, one seafood processor told us that

> "The most damage * * * occurs when a [foreign] fishing company buys control of a U.S. processor and discourages development to benefit foreign fishermen. Subsequently the foreign product enters the U.S. at prices below what U.S. processors can compete with."

An NMFS Seattle official said that he had been told Japanese owners and Japanese customers of U.S. financial institutions have pressured these lenders not to make loans to processors trying to initiate bottomfish processing.

Contrary to these beliefs, a Japanese Fishing Association representative told us that the Japanese are not investing in the processing sector to discourage the U.S. development of Alaska bottomfishery resources. He said that the Japanese recognize that a future decrease will occur in the foreign fishing allocation in the 200-mile U.S. fishing zone as the U.S. expands its capabilities.

SEAFOOD SUPPLY CONDITIONS AFFECT THE DEMAND AND PRICE FOR U.S. SEAFOOD PRODUCTS

Although the Japanese demand for U.S. seafood products increased dramatically in the late 1970's it decreased in 1980. This kind of changing market condition should be understood in evaluating industry and Government concerns about the effects of foreign investment.

Japanese imports of U.S. fishery products decreased 18 percent for the first 6 months of 1980 from the same period in 1979. Salmon imports declined 30 percent for the same period. Japan's cold storage holding of salmon in December 1979 rose about 53 percent above the December 1978 inventory. The high year-end inventory was primarily the result of Japan's heavy purchases of the huge 1979 Alaska salmon harvest

and the large 1979 catch of salmon off the Japanese coast. In 1979 Alaska fishermen harvested 468 million pounds of salmon. The 1980 Alaska salmon harvest exceeded the 1979 catch and was the fourth largest in the State's history.

During 1979 the United States exported about 195 million pounds of salmon, about 50 percent going to Japan. Japan's imports of fresh/frozen salmon from the United States increased from about 32 million pounds in 1977 to 93 million pounds in 1979. The following table shows the dramatic increase in salmon exports to Japan.

U.S. Salmon Exports To Japan

Year	Fresh/frozen	Fillets/steaks portions	Canned	Total
	(thousands of pounds)			
1979	93,458	1,820	3,078	98,356
1978	87,679	2,126	1,505	91,310
1977	31,854	1,809	717	34,380
1976	4,275	872	201	5,348

Source: NMFS

Along with Japan's recent large increase in imported U.S. salmon products, Japanese fishing fleets had a large 1979 harvest. For example, the salmon catches off Hokkaido, Japan, in September 1979, 20 days into the season, exceeded the 1978 pace by more than 30 percent.

CONCLUSIONS AND OBSERVATIONS

Industry and Federal and State Government officials expressed a variety of views on the effect of foreign investment in U.S. seafood processors. While some officials believed that foreign investment definitely affects seafood processors, others could discern little or no effect. Those who believed that foreign investment affects seafood processors expressed opinions that ranged from concern that foreign investors may manipulate the industry to the belief that foreign investment is necessary and beneficial to U.S. processors.

The response to our questionnaire highlighted both the lack of consensus among seafood processors and the reluctance of some processors to discuss the effects of foreign investment on their firms. We mailed questionnaires to 453

processors; 307 questionnaires were returned. Of these, however, only 260 were useable in our analysis. Furthermore, many respondents failed to answer certain questions or said they had no basis on which to judge the impact. For example, although 66 processors believed foreign ownership in U.S. processors had an unfavorable impact, 122 processors said that such ownership had no impact or they had no basis to judge or did not respond. We obtained similar responses from processors when we asked about the impact of foreign loans. (See appendixes I and II for further informatin on questionnaire results.)

We also tried to determine if foreign investment increased or decreased certain production, marketing, pricing, and other operating factors for seafood processors. Again, questionnaire results revealed a lack of consensus. For example, although 41 processors believed foreign investment decreased their control over their business operations, 65 said there was no impact, 43 had no basis to judge, and 39 did not respond to the question.

The uncertainty and lack of consensus surrounding the question of foreign investment was further illustrated by our interviews with officials of U.S. firms having foreign investment. Some officials were reluctant to discuss the impact of foreign investment on their firms or believed that foreign investment had no effect on their firms operations. Others felt that foreign investment was beneficial for the industry in general and necessary for the survival of some firms. Still others believed that foreign investors negatively influenced the operations of some U.S. firms, either through direct involvement or loan provisions.

Available Federal data can do little to resolve uncertainties over the effects of foreign investment. As mentioned in chapter 3, the only major Federal study of foreign investment in the U.S. seafood industry is scheduled for completion in 1981. The uncertainty that surrounds the foreign investment question, coupled with difficulties in obtaining data, hinders Federal evaluation efforts.

While the issue of foreign investment is clouded by the lack of agreement among knowledgeable officials and the absence of reliable data, we identified several potentially important observations and related questions.

1. A high percentage of foreign investment originates from relatively few companies within one country (Japan). Does such concentration potentially lessen competition and impede free operation of the marketplace?

2. Foreign investors may use a variety of indirect investment methods to gain control of seafood processors. To what degree does such indirect investment hinder identifying the full extent, nature, and effects of foreign investment?

3. The percentage of the industry's total output that is produced by processors with foreign investment is unknown, as is the relationship between foreign ownership and production in individual processors. Can and should this information be gathered, considering that it would require access to confidential processor information?

4. Foreign representatives are sometimes placed on the board of directors or as executive officers of U.S. seafood processors. Does such action result in processors operating in a manner contrary to U.S. economic policies?

5. Foreign investors may specify certain provisions, such as the right to acquire a portion of a processor's production, in loan agreement with U.S. processors. To what extent do such actions adversely affect the industry's natural market fluctuations?

In deciding whether to explore the above issues further, consideration needs to be given to

--the expense further study would entail,

--the burden further reporting requirements would place on seafood processors,

--the possible discouragement of needed investment capital from foreign sources if additional reporting requirements are imposed, and

--the results of OFIUS' 1981 study of the extent and impact of foreign investment in seafood processors.

Other economic and social concerns, such as how other industries may be affected by changes in the seafood processing industry also needs to be considered.

AGENCY COMMENTS AND OUR EVALUATION

We furnished a draft of this report to the Department of Commerce and portions of the draft to the State of Alaska

for comment. The Commerce Department generally agreed with our observations and conclusions. The agency and the State of Alaska suggested certain changes be made to add to or clarify information in the report. We considered each of the suggestions and made changes where appropriate.

QUESTIONNAIRE METHODOLOGY

Complete and reliable data on the extent and impact of foreign ownership and loans in the seafood processing industry does not exist. We used a questionnaire survey to collect information to help us determine the extent and impact of foreign investment in the seafood processing industry.

Since we could not identify a complete and current universe of seafood processing firms, a statistically valid sample could not be made. We did, however, identify seafood processing firms in the geographic areas of our audit by using the National Fisheries Institute 1979-1980 Blue Book of firms that engage in fishery-related activities, and the National Fisherman's Pacific Packers Report for 1980 that identifies major seafood processors on the west coast. Also, we identified firms engaged in seafood activities from the Alaska Department of Fish and Game 1979 intent-to-operate list of seafood processors, the Economic Development Council of Puget Sound 1979 list of seafood processors in Washington State, and the NMFS 1978 list of processors of fishery products. We believe these sources enabled us to identify most seafood processors in those geographical areas.

We mailed questionnaires in June 1980 to 453 firms. Follow-up letters were mailed twice during July 1980. We received 307 responses. For various reasons, such as the Postal Service returning the questionnaire to us as undeliverable or the firms telling us that they would not complete the questionnaire, 46 of the 307 responses were not useable. Of the 260 useable responses, only 196 were from firms engaged in seafood processing in 1979. The following schedule shows by State the number of firms that were mailed questionnaires, the number of questionnaires returned, the number of useable responses, and the number of firms processing seafood in 1979.

State	Number of firms mailed questionnaires	Number of questionnaires returned	Number of useable responses	Number of firms processing in 1979
Alaska	169	103	82	57
Washington	172	120	107	80
Oregon	26	23	18	17
California (note a)	3	3	3	3
Connecticut	3	2	2	2
Massachusetts	44	30	25	21
New Hampshire	1	1	1	0
New Jersey	8	5	4	2
New York	22	16	15	12
Rhode Island	5	4	3	2
Total	453	307	260	196

a/The three California firms operated in the Pacific Northwest.

A copy of the questionnaire with the numerical responses for the 196 seafood processors is included in appendix II.

Our auditors and systems analysts designed the questionnaire for this study. Development of the questionnaire included pretesting with seafood processing firms with and without foreign investment in Washington and Massachusetts. Appendixes III through VI contain numerical responses to most questions from west coast and east coast processors with and without foreign investment.

RESPONSES FROM SEAFOOD PROCESSING FIRMS WITH AND WITHOUT FOREIGN INVESTMENT

The terms "your firm" or "this firm" refer to the organization to which this questionnaire was addressed

I. OWNERSHIP

1. Which of the following best describes your firm? (Check one.)

1. ☐	Individual proprietorship (Go to question 2.)	27
2. ☐	Partnership (Go to question 3.)	12
3. ☐	Cooperative (Go to question 5.)	4
4. ☐	Corporation (Go to question 7.)	153 A/

2. Is the proprietor a U.S. citizen? (Check one.)

1. ☐	No	0
2. ☐	Yes	27

(Go to question 17.)

3. Approximately how many partners were in your firm in 1979? (Check one.)

1. ☐	Less than 4	9
2. ☐	5 to 99	3
3. ☐	100 to 499	0
4. ☐	500 or more	0

4. Approximately what percent of the partners are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	11
2. ☐	1 to 24%	1
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

(Go to question 17.)

5. Approximately how many members were in your cooperative in 1979? (Check one.)

1. ☐	Less than 100	2
2. ☐	100 to 199	1
3. ☐	200 to 499	1
4. ☐	500 and above	0

6. Approximately what percent of your members are foreigners (not U.S. citizens)?

1. ☐	None, all are U.S. citizens.	4
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

(Go to question 17.)

7. Approximately how many shareholders, who are authorized to vote, were in your corporation in fiscal year 1979? (Check one.)

1. ☐	Less than 100	142
2. ☐	100 to 499	3
3. ☐	500 to 999	1
4. ☐	1000 or more	3
	No response	4

8. Approximately what percent of your corporation's shareholders, who are authorized to vote, are foreigners (not U.S. citizens)? (Check one.)

1 ☐	None, all are U.S. citizens	120
2 ☐	1 to 24%	4
3 ☐	25 to 49%	8
4 ☐	50 to 74%	5
5 ☐	75 to 99%	1
6 ☐	100%	8
7 ☐	Don't know	1
	No response	6

9. Are shares in your corporation publicly traded? (Check one.)

1 ☐	Yes	3
2 ☐	No	143
	No response	7

A/ Responses to questions regarding corporations in appendixes III through VI will not sum to the total in this appendix because some corporations did not disclose if they had or did not have foreign ownership and other corporations were headquartered in States other than those shown in those appendixes.

10. Approximately what percent of the corporation's board members are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	124
2. ☐	1 to 24%	4
3. ☐	25 to 49%	6
4. ☐	50 to 74%	6
5. ☐	75 to 99%	6
6. ☐	100%	1
7. ☐	Don't know	1
No response		5

11. Approximately what percent of the corporation's executive officers are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	132
2. ☐	1 to 24%	6
3. ☐	25 to 49%	5
4. ☐	50 to 74%	3
5. ☐	75 to 99%	1
6. ☐	100%	1
No response		5

12. Where is your firm incorporated? (Check one.)

1. ☐	United States	146
2. ☐	Canada	
3. ☐	Iceland	
4. ☐	Japan	
5. ☐	Norway	
6. ☐	Other. Specify _____	
No response		7

13. Do any other companies currently own any of your firm's authorized voting stock? (Check one.)

1 ☐ Yes
2 ☐ No *(Go to question 15.)*

GAO Note: Does not apply for summary information contained in this appendix.

14. Please indicate: (A) the names of companies owning shares in this firm, (B) their location, (C) approximate percentage of your firm's stock they own, and (D) if 10 percent or more of their voting stock is owned by a foreign (non-U.S.) organization or individual. (If there are more than four companies, list the additional names on the back of the questionnaire.)

	A	B	C	D		
	Companies owning stock in your firm	City of headquarters	Approximate % of your firm's stock they own	Is 10% or more of their voting stock foreign (non-U.S.) owned? (Check one box for each row)		
	GAO Note: Does not apply for summary information contained in this appendix.			1 Yes	2 No	3 Not Sure
1.	_____	_____	_____%	☐	☐	☐
2.	_____	_____	_____%	☐	☐	☐
3.	_____	_____	_____%	☐	☐	☐
4.	_____	_____	_____%	☐	☐	☐

15. Does your firm own any voting shares in any other seafood processing companies? (Check one.)

1. ☐ Yes
2. ☐ No *(Go to question 17.)*

GAO Note: Does not apply for summary information contained in this appendix.

16. Please indicate: (A) the names of other companies in which your firm owns shares, (B) their location, (C) approximate percentage of your ownership, and (D) if 10 percent or more of their voting stock is owned by a foreign (non-U.S.) organization or individual. (If there are more than four companies, list the additional names on the back of the questionnaire.)

	A Companies in which your firm owns shares	B City of headquarters	C Approximate % of their stock your firm owns	D Is 10% or more of their voting stock foreign (non-U.S.) owned? (Check one box for each row) 1 Yes	2 No	3 Not Sure
	GAO Note: Does not apply for summary information contained in this appendix.					
1.			%	☐	☐	☐
2.			%	☐	☐	☐
3.			%	☐	☐	☐
4.			%	☐	☐	☐

For the following questions on assets, revenues, and debts in Parts II & III, please include in your figures your firm's share from any subsidiary operations as listed in question 16.

II. SIZE AND TYPE OF OPERATION

17. Approximately what were your firm's total assets for your 1979 fiscal year? (Check one.)

1 ☐	Less than $250,000	55
2 ☐	$250,000 to $499,999	18
3 ☐	$500,000 to $999,999	32
4 ☐	$1,000,000 to $4,999,999	55
5 ☐	$5,000,000 to $9,999,999	16
6 ☐	$10,000,000 or more	19
	No response	1

18. Approximately what was your firm's gross operating revenue for your 1979 fiscal year? (Check one.)

1 ☐	Less than $250,000	46
2 ☐	$250,000 to $499,999	13
3 ☐	$500,000 to $999,999	26
4 ☐	$1,000,000 to $4,999,999	53
5 ☐	$5,000,000 to $9,999,999	23
6 ☐	$10,000,000 or more	34
	No response	1

19. Approximately what percent of this revenue was from the following operations? (Fill in percentages.)

_____ % Seafood brokerage or trading

_____ % Seafood processing (including operations such as dressing, steaking, freezing and canning)

_____ % Fishing

_____ % Other (specify)

_____

100% TOTAL

GAO Note: Does not apply for summary information contained in this appendix.

III. DEBT

20. Approximately what was your firm's total outstanding debt (short and long term) for the 1979 fiscal year? (Check one.)

1. ☐	Less than $250,000	93
2. ☐	$250,000 to $499,999	19
3. ☐	$500,000 to $999,999	16
4. ☐	$1,000,000 to $4,999,999	44
5. ☐	$5,000,000 to $9,999,999	13
6. ☐	$10,000,000 or more	10
	No response	1

21. To the best of your knowledge was any of this debt in the form of loans from foreign individuals (non-U.S. citizens) or foreign organizations (Non U.S. organizations incorporated or chartered in a foreign country, including U.S. branches of foreign banks)?

1. ☐	Yes	27
2. ☐	No *(Go to question 27.)*	169

22. What was the approximate total amount of these foreign loans? (Check one.)

1. ☐	Less than $250,000	7
2. ☐	$250,000 to $499,999	4
3. ☐	$500,000 to $999,999	1
4. ☐	$1,000,000 to $4,999,999	9
5. ☐	$5,000,000 to $9,999,999	2
6. ☐	$10,000,000 or more	4

23. Approximately what percentages of the total amount of these foreign loans were from the following types of lenders? (Fill in percentages)

GAO Note: Does not apply for summary information contained in this appendix.

_____ % Banks or other financial institutions

_____ % Companies

_____ % Individuals

_____ % Governments

_____ % Other (specify)

_____

_____ 100% TOTAL

24. Approximately what percentages of the total amount of these foreign loans were from sources in the following countries? (Fill in percentages)

GAO Note: Does not apply for summary information contained in this appendix.

_____ % Canada

_____ % Iceland

_____ % Japan

_____ % Norway

_____ % Other (specify)

_____

_____ 100% TOTAL

25. Which of the following provisions are included as part of any of these loan arrangements? (Check all that apply.)

1. ☐	Provides for a representative of the foreign lender on your firm's Board of directors.	2
2. ☐	Provides for a representative of the foreign lender to serve as a executive officer in your firm.	1
3. ☐	Provides for a representative of the foreign lender to serve as a technician in your processing plant.	8
4. ☐	Provides for the foreign lender to acquire a portion of your firm's production.	10
5. ☐	Other (specify)	0
6. ☐	No special provisions such as listed above.	15

26. It has been alleged that most foreign loans are from seven large Japanese firms. We would like to verify this allegation. Which of the following foreign organizations, if any, provided loans to your firm? (Check all that apply.)

1.	☐ Kyokuyo	0
2.	☐ Marubeni	0
3.	☐ Mitsubishi	2
4.	☐ Mitsui	0
5.	☐ Nichiro Gyogyo Kaisha	2
6.	☐ Nippon Suisan Kaisha	2
7.	☐ Taiyo	2
8.	☐ None of the above	19

IV. POSSIBLE IMPACTS OF FOREIGN ACTIVITIES ON U.S. FIRMS

If 51% or more of this firm's ownership belongs to non-U.S. citizens, skip to question 30.

27. In your opinion how much, if at all, are foreign individuals or companies engaging in the following activities regarding the U.S. seafood *processing industry*? (Check one box for each row.)

	Great extent	Some extent	Little if any	No basis to judge	No response
	1	2	3	4	
1. Making loans to U.S. processors	☐ 62	☐ 50	☐ 5	☐ 50	29
2. Buying shares in U.S. processing firms	☐ 69	☐ 46	☐ 1	☐ 51	29
3. Setting up processing plants in the U.S.	☐ 27	☐ 67	☐ 12	☐ 58	32
4. Giving preferential pricing to selected processors	☐ 28	☐ 48	☐ 14	☐ 75	31
5. Controlling seafood supplies	☐ 51	☐ 36	☐ 21	☐ 57	31
6. Controlling the seafood market	☐ 73	☐ 41	☐ 9	☐ 43	30
7. Other (specify) A/ _____	☐ 7	☐ 1	☐ 0	☐ 15	173

A/Does not lend itself to summarization.

28. In your opinion what kinds of impact, if any, are the following foreign activities having on *your firm*? (Check one box for each row.)

	Very favorable impact	Favorable impact	No impact	Unfavorable impact	Very unfavorable impact	No basis to judge	No response
	1	2	3	4	5	6	
1. Making loans to U.S processors	☐ 5	☐ 16	☐ 38	☐ 44	☐ 6	☐ 58	29
2. Buying shares in U.S. processing firms	☐ 3	☐ 5	☐ 34	☐ 44	☐ 22	☐ 58	30
3. Setting up processing plants in the U.S.	☐ 3	☐ 5	☐ 25	☐ 44	☐ 27	☐ 60	32
4. Giving preferential pricing to selected processors	☐ 2	☐ 3	☐ 21	☐ 35	☐ 29	☐ 73	33
5. Controlling seafood supplies	☐ 2	☐ 2	☐ 20	☐ 44	☐ 35	☐ 62	31
6. Controlling the seafood market	☐ 2	☐ 5	☐ 13	☐ 50	☐ 50	☐ 46	30
7. Other (specify) A/ _____	☐ 0	☐ 0	☐ 1	☐ 1	☐ 8	☐ 19	167

A/Does not lend itself to summarization.

APPENDIX II

29. Some may feel their firm has been affected by foreign (non-U.S.) investments—either directly by investments in their firm or indirectly by investments in other processors. In your opinion, how much, if at all, have foreign investments increased or decreased the following for your firm? (Check one box for each row.)

	Conditions possibly affected by foreign investments	Greatly increased	Increased	No impact	Decreased	Greatly decreased	No basis to judge	No response
		1	2	3	4	5	6	
1.	Capital available to our firm	☐ 7	☐ 18	☐ 77	☐ 7	☐ 1	☐ 51	35
2.	Our ability to obtain U.S. capital	☐ 4	☐ 11	☐ 73	☐ 18	☐ 4	☐ 50	36
3.	Technical and management assistance available to us	☐ 8	☐ 28	☐ 67	☐ 8	☐ 1	☐ 47	37
4.	Our total markets for all seafood	☐ 10	☐ 36	☐ 23	☐ 42	☐ 9	☐ 37	39
5.	Our domestic markets for all seafood	☐ 3	☐ 13	☐ 46	☐ 46	☐ 14	☐ 37	37
6.	Our foreign markets for all seafood	☐ 9	☐ 28	☐ 28	☐ 36	☐ 12	☐ 45	38
7.	Our total markets for *new* products	☐ 5	☐ 19	☐ 48	☐ 16	☐ 5	☐ 67	36
8.	Our research and development activities	☐ 3	☐ 14	☐ 65	☐ 7	☐ 6	☐ 62	39
9.	Prices we sell seafood	☐ 13	☐ 23	☐ 22	☐ 47	☐ 21	☐ 34	36
10.	Amount of employment for U.S. citizens	☐ 4	☐ 29	☐ 50	☐ 20	☐ 3	☐ 52	38
11.	Prices we pay fishermen or other seafood sources	☐ 20	☐ 36	☐ 24	☐ 31	☐ 15	☐ 35	35
12.	Competition with other processors	☐ 21	☐ 50	☐ 32	☐ 13	☐ 4	☐ 40	36
13.	Our control over our business operations	☐ 1	☐ 7	☐ 65	☐ 30	☐ 11	☐ 43	39
14.	U.S. taxes we pay	☐ 7	☐ 28	☐ 52	☐ 13	☐ 2	☐ 56	38
	NORTHWEST PROCESSORS PLEASE CONTINUE WITH THIS QUESTION. NORTHEAST PROCESSORS GO TO QUESTION 30.							
15.	Our development of the Alaska bottomfish industry	☐ 3	☐ 14	☐ 26	☐ 16	☐ 11	☐ 58	29 A/
16.	Our development of the Pacific bottomfish industry	☐ 4	☐ 18	☐ 25	☐ 21	☐ 12	☐ 47	30 A/

A/157 of the 196 responding processors are located on the west coast, including 3 which are headquartered in California.

V. GOVERNMENT REGULATIONS

30. What kind of government regulations, if any, do you feel should be placed on foreign *ownership* of U.S. seafood processors? (Check the one block that best describes your position.)

1. ☐	Liberalize regulations to encourage foreign ownership	5
2. ☐	Make no changes in regulations	24
3. ☐	Require periodic disclosure to the government of foreign ownership	33
4. ☐	In addition to disclosure, restrict the amount of foreign ownership	83
5. ☐	Exclude all foreign ownership in U.S. seafood processing firms	34
	No response	17

31. What level of government should have primary responsibility for regulating foreign *ownership*? (Check one.)

1. ☐	Federal Government	121
2. ☐	State government	46
3. ☐	Other (specify)	11 A/
	No response	18

32. What kind of government regulations, if any, do you feel should be placed on foreign *loans* to U.S. seafood processors? (Check the one block that best describes your position.)

1 ☐	Liberalize regulations to encourage foreign loans	29
2. ☐	Make no changes in regulations	26
3. ☐	Require periodic disclosure to the government of foreign loans	43
4. ☐	In addition to disclosure, restrict the amount of foreign loans	53
5. ☐	Exclude all foreign loans to U.S. seafood processors	24
	No response	21

33. What level of government should have primary responsibility for regulating foreign *loans*? (Check one.)

1 ☐	Federal Government	118
2 ☐	State government	39
3 ☐	Other (specify)	14 A/
	No response	25

A/Does not lend itself to summarization.

VI. COMMENTS

34. Please provide any other comments you may have about foreign involvement in the seafood processing industry

GAO Note: Does not apply for summary information contained in this appendix.

35. ☐ Check here if you wish to receive a copy of our final report.

GAO Note: Does not apply for summary information contained in this appendix.

RESPONSES FROM WEST COAST 1/ SEAFOOD PROCESSORS WITHOUT FOREIGN INVESTMENT

I. OWNERSHIP

1. Which of the following best describes your firm? (Check one.)

1. ☐	Individual proprietorship (Go to question 2.)	25
2. ☐	Partnership (Go to question 3.)	11
3. ☐	Cooperative (Go to question 5.)	4
4. ☐	Corporation (Go to question 7.)	77

2. Is the proprietor a U.S. citizen? (Check one.)

1. ☐	No	0
2. ☐	Yes	25

(Go to question 17.)

3. Approximately how many partners were in your firm in 1979? (Check one.)

1. ☐	Less than 4	8
2. ☐	5 to 99	3
3. ☐	100 to 499	0
4. ☐	500 or more	0

4. Approximately what percent of the partners are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	11
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	

(Go to question 17.)

5. Approximately how many members were in your cooperative in 1979? (Check one.)

1. ☐	Less than 100	2
2. ☐	100 to 199	1
3. ☐	200 to 499	1
4. ☐	500 and above	0

6. Approximately what percent of your members are foreigners (not U.S. citizens)?

1. ☐	None, all are U.S. citizens	4
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

(Go to question 17.)

7. Approximately how many shareholders, who are authorized to vote, were in your corporation in fiscal year 1979? (Check one.)

1. ☐	Less than 100	74
2. ☐	100 to 499	3
3. ☐	500 to 999	0
4. ☐	1000 or more	0

8. Approximately what percent of your corporation's shareholders, who are authorized to vote, are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	77
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

9. Are shares in your corporation publicly traded? (Check one.)

1. ☐	Yes	1
2. ☐	No	75
	No response	1

1/Includes Alaska, Washington, and Oregon.

10. Approximately what percent of the corporation's board members are foreigners (not U.S. citizens)? (Check one.)

1.	☐ None, all are U.S. citizens	76
2.	☐ 1 to 24%	0
3.	☐ 25 to 49%	0
4.	☐ 50 to 74%	0
5.	☐ 75 to 99%	0
6.	☐ 100%	0
7.	☐ Don't know	0
	No response	1

11. Approximately what percent of the corporation's executive officers are foreigners (not U.S. citizens)? (Check one.)

1.	☐ None, all are U.S. citizens	76
2.	☐ 1 to 24%	0
3.	☐ 25 to 49%	0
4.	☐ 50 to 74%	0
5.	☐ 75 to 99%	0
6.	☐ 100%	0
	No response	1

12. Where is your firm incorporated? (Check one.)

1.	☐ United States	77
2.	☐ Canada	0
3.	☐ Iceland	0
4.	☐ Japan	0
5.	☐ Norway	0
6.	☐ Other. Specify _____	0

II. SIZE AND TYPE OF OPERATION

17. Approximately what were your firm's total assets for your 1979 fiscal year? (Check one.)

1.	☐ Less than $250,000	43
2.	☐ $250,000 to $499,999	15
3.	☐ $500,000 to $999,999	22
4.	☐ $1,000,000 to $4,999,999	26
5.	☐ $5,000,000 to $9,999,999	5
6.	☐ $10,000,000 or more	6

18. Approximately what was your firm's gross operating revenue for your 1979 fiscal year? (Check one.)

1.	☐ Less than $250,000	41
2.	☐ $250,000 to $499,999	12
3.	☐ $500,000 to $999,999	18
4.	☐ $1,000,000 to $4,999,999	29
5.	☐ $5,000,000 to $9,999,999	8
6.	☐ $10,000,000 or more	9

GAO Note: Responses to questions 13, 14, 15, 16, 19, 23, 24, 34, and 35 are not summarized in this appendix. Copies of the questions are in appendix II.

APPENDIX III

III. DEBT

20. Approximately what was your firm's total outstanding debt (short and long term) for the 1979 fiscal year? (Check one.)

1. ☐	Less than $250,000	74
2. ☐	$250,000 to $499,999	8
3. ☐	$500,000 to $999,999	8
4. ☐	$1,000,000 to $4,999,999	18
5. ☐	$5,000,000 to $9,999,999	8
6. ☐	$10,000,000 or more	1

21. To the best of your knowledge was any of this debt in the form of loans from foreign individuals (non-U.S. citizens) or foreign organizations (Non U.S. organizations incorporated or chartered in a foreign country, including U.S. branches of foreign banks)?

1. ☐	Yes	0
2. ☐	No *(Go to question 27.)*	117

22. What was the approximate total amount of these foreign loans? (Check one.)

1. ☐	Less than $250,000	0
2. ☐	$250,000 to $499,999	0
3. ☐	$500,000 to $999,999	0
4. ☐	$1,000,000 to $4,999,999	0
5. ☐	$5,000,000 to $9,999,999	0
6. ☐	$10,000,000 or more	0

25. Which of the following provisions are included as part of any of these loan arrangements? (Check all that apply.)

1. ☐	Provides for a representative of the foreign lender on your firm's Board of directors.	0
2. ☐	Provides for a representative of the foreign lender to serve as a executive officer in your firm.	0
3. ☐	Provides for a representative of the foreign lender to serve as a technician in your processing plant.	0
4. ☐	Provides for the foreign lender to acquire a portion of your firm's production.	0
5. ☐	Other (specify) _____ _____	0
6. ☐	No special provisions such as listed above.	0

26. It has been alleged that most foreign loans are from seven large Japanese firms; We would like to verify this allegation. Which of the following foreign organizations, if any, provided loans to your firm? (Check all that apply.)

1. ☐	Kyokuyo	0
2. ☐	Marubensi	0
3. ☐	Mitsubishi	0
4. ☐	Mitsui	0
5. ☐	Nichiro Gyogyo Kaisha	0
6. ☐	Nippon Suisan Kaisha	0
7. ☐	Taiyo	0
8. ☐	None of the above	0

IV. POSSIBLE IMPACTS OF FOREIGN ACTIVITIES ON U.S. FIRMS

If 51% or more of this firm's ownership belongs to non-U.S. citizens, skip to question 30.

27. In your opinion how much, if at all, are foreign individuals or companies engaging in the following activities regarding the U.S. seafood *processing industry*? (Check one box for each row.)

	Great extent	Some extent	Little if any	No basis to judge	No response
	1	2	3	4	
1. Making loans to U.S. processors	☐ 43	☐ 33	☐ 1	☐ 29	11
2. Buying shares in U.S. processing firms	☐ 51	☐ 27	☐ 0	☐ 29	10
3. Setting up processing plants in the U.S.	☐ 16	☐ 43	☐ 10	☐ 36	12
4. Giving preferential pricing to selected processors	☐ 17	☐ 32	☐ 10	☐ 46	12
5. Controlling seafood supplies	☐ 30	☐ 25	☐ 14	☐ 36	12
6. Controlling the seafood market	☐ 52	☐ 29	☐ 1	☐ 25	11
7. Other (specify) A/ _____	☐ 7	☐ 0	☐ 0	☐ 10	100

A/Does not lend itself to summarization.

28. In your opinion what kinds of impact, if any, are the following foreign activities having on *your firm*? (Check one box for each row.)

	Very favorable impact	Favorable impact	No impact	Unfavorable impact	Very unfavorable impact	No basis to judge	No response
	1	2	3	4	5	6	
1. Making loans to U.S. processors	☐ 2	☐ 8	☐ 26	☐ 27	☐ 5	☐ 39	10
2. Buying shares in U.S. processing firms	☐ 2	☐ 4	☐ 20	☐ 24	☐ 15	☐ 41	11
3. Setting up processing plants in the U.S.	☐ 2	☐ 3	☐ 14	☐ 31	☐ 14	☐ 41	12
4. Giving preferential pricing to selected processors	☐ 2	☐ 1	☐ 14	☐ 23	☐ 16	☐ 48	13
5. Controlling seafood supplies	☐ 2	☐ 0	☐ 12	☐ 32	☐ 18	☐ 42	11
6. Controlling the seafood market	☐ 2	☐ 3	☐ 3	☐ 35	☐ 33	☐ 31	10
7. Other (specify) A/ _____	☐ 0	☐ 0	☐ 1	☐ 1	☐ 6	☐ 11	98

A/Does not lend itself to summarization.

APPENDIX III

29. Some may feel their firm has been affected by foreign (non-U.S.) investments—either directly by investments in their firm or indirectly by investments in other processors. In your opinion, how much, if at all, have foreign investments increased or decreased the following for your firm? (Check one box for each row.)

Conditions possibly affected by foreign investments	Greatly increased		In-creased		No impact		De-creased		Greatly decreased		No basis to judge		No response
	1		2		3		4		5		6		
1. Capital available to our firm	☐	2	☐	9	☐	52	☐	6	☐	1	☐	34	13
2. Our ability to obtain U.S. capital	☐	0	☐	6	☐	44	☐	12	☐	4	☐	38	13
3. Technical and management assistance available to us	☐	2	☐	16	☐	47	☐	6	☐	1	☐	32	13
4. Our total markets for all seafood	☐	5	☐	21	☐	13	☐	31	☐	4	☐	27	16
5. Our domestic markets for all seafood	☐	2	☐	6	☐	23	☐	35	☐	8	☐	29	14
6. Our foreign markets for all seafood	☐	4	☐	15	☐	19	☐	24	☐	10	☐	30	15
7. Our total markets for *new* products	☐	3	☐	10	☐	29	☐	10	☐	3	☐	49	13
8. Our research and development activities	☐	0	☐	8	☐	39	☐	3	☐	4	☐	47	16
9. Prices we sell seafood	☐	10	☐	13	☐	9	☐	34	☐	15	☐	24	12
10. Amount of employment for U.S. citizens	☐	1	☐	17	☐	31	☐	14	☐	2	☐	37	15
11. Prices we pay fishermen or other seafood sources	☐	11	☐	23	☐	11	☐	25	☐	11	☐	24	12
12. Competition with other processors	☐	13	☐	30	☐	19	☐	11	☐	3	☐	28	13
13. Our control over our business operations	☐	0	☐	4	☐	38	☐	23	☐	4	☐	33	15
14. U.S. taxes we pay	☐	3	☐	20	☐	25	☐	9	☐	1	☐	44	15
NORTHWEST PROCESSORS PLEASE CONTINUE WITH THIS QUESTION. NORTHEAST PROCESSORS GO TO QUESTION 30.													
15. Our development of the Alaska bottomfish industry	☐	2	☐	13	☐	19	☐	13	☐	9	☐	46	15
16. Our development of the Pacific bottomfish industry	☐	3	☐	14	☐	18	☐	18	☐	10	☐	38	16

APPENDIX III

V. GOVERNMENT REGULATIONS

30. What kind of government regulations, if any, do you feel should be placed on foreign *ownership* of U.S. seafood processors? (Check the one block that best describes your position.)

1. ☐	Liberalize regulations to encourage foreign ownership	2
2. ☐	Make no changes in regulations	5
3. ☐	Require periodic disclosure to the government of foreign ownership	21
4. ☐	In addition to disclosure, restrict the amount of foreign ownership	62
5. ☐	Exclude all foreign ownership in U.S. seafood processing firms.	20
	No response	7

31. What level of government should have primary responsibility for regulating foreign *ownership*? (Check one.)

1. ☐	Federal Government	71
2. ☐	State government	37
3. ☐	Other (specify) A/	3
	No response	6

32. What kind of government regulations, if any, do you feel should be placed on foreign *loans* to U.S. seafood processors? (Check the one block that best describes your position.)

1. ☐	Liberalize regulations to encourage foreign loans	15
2. ☐	Make no changes in regulations	6
3. ☐	Require periodic disclosure to the government of foreign loans	35
4. ☐	In addition to disclosure, restrict the amount of foreign loans	37
5. ☐	Exclude all foreign loans to U.S. seafood processors	14
	No response	10

33. What level of government should have primary responsibility for regulating foreign *loans*? (Check one.)

1. ☐	Federal Government	67
2. ☐	State government	34
3. ☐	Other (specify) A/	4
	No response	12

A/Does not lend itself to summarization.

APPENDIX IV

RESPONSES FROM WEST COAST 1/ SEAFOOD PROCESSORS

WITH FOREIGN INVESTMENT

I. OWNERSHIP

1. Which of the following best describes your firm? (Check one.)

1. ☐	Individual proprietorship (Go to question 2.)	1
2. ☐	Partnership (Go to question 3.)	1
3. ☐	Cooperative (Go to question 5.)	0
4. ☐	Corporation (Go to question 7.)	31

2. Is the proprietor a U.S. citizen? (Check one.)

1. ☐	No	0
2. ☐	Yes	1

(Go to question 17.)

3. Approximately how many partners were in your firm in 1979? (Check one.)

1. ☐	Less than 4	1
2. ☐	5 to 99	0
3. ☐	100 to 499	0
4. ☐	500 or more	0

4. Approximately what percent of the partners are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	0
2. ☐	1 to 24%	1
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

(Go to question 17.)

5. Approximately how many members were in your cooperative in 1979? (Check one.)

1. ☐	Less than 100	0
2. ☐	100 to 199	0
3. ☐	200 to 499	0
4. ☐	500 and above	0

6. Approximately what percent of your members are foreigners (not U.S. citizens)?

1. ☐	None, all are U.S. citizens.	0
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

(Go to question 17.)

7. Approximately how many shareholders, who are authorized to vote, were in your corporation in fiscal year 1979? (Check one.)

1. ☐	Less than 100	30
2. ☐	100 to 499	0
3. ☐	500 to 999	1
4. ☐	1000 or more	0

8. Approximately what percent of your corporation's shareholders, who are authorized to vote, are foreigners (not U.S. citizens)? (Check one.)

1 ☐	None, all are U.S. citizens	10
2 ☐	1 to 24%	2
3 ☐	25 to 49%	8
4 ☐	50 to 74%	5
5 ☐	75 to 99%	1
6 ☐	100%	5
7 ☐	Don't know	0

9. Are shares in your corporation publicly traded? (Check one.)

1 ☐	Yes	0
2 ☐	No	31

1/Includes Alaska, Washington, and Oregon.

APPENDIX IV

10. Approximately what percent of the corporation's board members are foreigners (not U.S. citizens)? (Check one.)

1.	☐ None, all are U.S. citizens	11
2.	☐ 1 to 24%	4
3.	☐ 25 to 49%	5
4.	☐ 50 to 74%	6
5.	☐ 75 to 99%	4
6.	☐ 100%	1
7.	☐ Don't know	0

11. Approximately what percent of the corporation's executive officers are foreigners (not U.S. citizens)? (Check one.)

1.	☐ None, all are U.S. citizens	17
2.	☐ 1 to 24%	5
3.	☐ 25 to 49%	4
4.	☐ 50 to 74%	3
5.	☐ 75 to 99%	1
6.	☐ 100%	1

12. Where is your firm incorporated? (Check one.)

1.	☐ United States	28
2.	☐ Canada	0
3.	☐ Iceland	0
4.	☐ Japan	0
5.	☐ Norway	0
6.	☐ Other. Specify _____	0
	No response	3

II. SIZE AND TYPE OF OPERATION

17. Approximately what were your firm's total assets for your 1979 fiscal year? (Check one.)

1.	☐ Less than $250,000	5
2.	☐ $250,000 to $499,999	2
3.	☐ $500,000 to $999,999	4
4.	☐ $1,000,000 to $4,999,999	11
5.	☐ $5,000,000 to $9,999,999	5
6.	☐ $10,000,000 or more	6

18. Approximately what was your firm's gross operating revenue for your 1979 fiscal year? (Check one.)

1.	☐ Less than $250,000	3
2.	☐ $250,000 to $499,999	1
3.	☐ $500,000 to $999,999	2
4.	☐ $1,000,000 to $4,999,999	10
5.	☐ $5,000,000 to $9,999,999	10
6.	☐ $10,000,000 or more	7

GAO Note: Responses to questions 13, 14, 15, 16, 19, 23, 24, 34, and 35 are not summarized in this appendix. Copies of the questions are in appendix II.

III. DEBT

20. Approximately what was your firm's total outstanding debt (short and long term) for the 1979 fiscal year? (Check one.)

1. ☐	Less than $250,000	9
2. ☐	$250,000 to $499,999	3
3. ☐	$500,000 to $999,999	2
4. ☐	$1,000,000 to $4,999,999	12
5. ☐	$5,000,000 to $9,999,999	3
6. ☐	$10,000,000 or more	4

21. To the best of your knowledge was any of this debt in the form of loans from foreign individuals (non-U.S. citizens) or foreign organizations (Non U.S. organizations incorporated or chartered in a foreign country, including U.S. branches of foreign banks)?

1. ☐	Yes	22
2. ☐	No *(Go to question 27.)*	11

22. What was the approximate total amount of these foreign loans? (Check one.)

1. ☐	Less than $250,000	7
2. ☐	$250,000 to $499,999	4
3. ☐	$500,000 to $999,999	1
4. ☐	$1,000,000 to $4,999,999	7
5. ☐	$5,000,000 to $9,999,999	1
6. ☐	$10,000,000 or more	2

25. Which of the following provisions are included as part of any of these loan arrangements? (Check all that apply.)

1. ☐	Provides for a representative of the foreign lender on your firm's Board of directors.	2
2. ☐	Provides for a representative of the foreign lender to serve as a executive officer in your firm.	1
3. ☐	Provides for a representative of the foreign lender to serve as a technician in your processing plant.	8
4. ☐	Provides for the foreign lender to acquire a portion of your firm's production.	10
5. ☐	Other (specify) _____ _____	0
6. ☐	No special provisions such as listed above.	10

26. It has been alleged that most foreign loans are from seven large Japanese firms. We would like to verify this allegation. Which of the following foreign organizations, if any, provided loans to your firm? (Check all that apply.)

1. ☐	Kyokuyo	0
2. ☐	Marubeni	0
3. ☐	Mitsubishi	2
4. ☐	Mitsui	0
5. ☐	Nichiro Gyogyo Kaisha	2
6. ☐	Nippon Suisan Kaisha	2
7. ☐	Taiyo	2
8. ☐	None of the above	15

IV. POSSIBLE IMPACTS OF FOREIGN ACTIVITIES ON U.S. FIRMS

If 51% or more of this firm's ownership belongs to non-U.S. citizens, skip to question 30.

27. In your opinion how much, if at all, are foreign individuals or companies engaging in the following activities regarding the U.S. seafood *processing industry*? (Check one box for each row.)

	Great extent		Some extent		Little if any		No basis to judge		No response
	1		2		3		4		
1. Making loans to U.S. processors	☐	12	☐	8	☐	1	☐	0	12
2. Buying shares in U.S. processing firms	☐	11	☐	6	☐	0	☐	4	12
3. Setting up processing plants in the U.S.	☐	5	☐	10	☐	1	☐	4	13
4. Giving preferential pricing to selected processors	☐	4	☐	8	☐	0	☐	9	12
5. Controlling seafood supplies	☐	7	☐	6	☐	3	☐	5	12
6. Controlling the seafood market	☐	10	☐	5	☐	2	☐	4	12
7. Other (specify) _____	☐	0	☐	1	☐	0	☐	0	32

28. In your opinion what kinds of impact, if any, are the following foreign activities having on *your firm*? (Check one box for each row.)

	Very favorable impact		Favorable impact		No impact		Unfavorable impact		Very unfavorable impact		No basis to judge		No response
	1		2		3		4		5		6		
1. Making loans to U.S. processors	☐	3	☐	6	☐	4	☐	7	☐	0	☐	2	11
2. Buying shares in U.S. processing firms	☐	1	☐	0	☐	6	☐	9	☐	5	☐	1	11
3. Setting up processing plants in the U.S.	☐	1	☐	0	☐	6	☐	5	☐	8	☐	2	11
4. Giving preferential pricing to selected processors	☐	0	☐	1	☐	4	☐	3	☐	9	☐	5	11
5. Controlling seafood supplies	☐	0	☐	0	☐	4	☐	6	☐	8	☐	4	11
6. Controlling the seafood market	☐	0	☐	0	☐	3	☐	8	☐	9	☐	2	11
7. Other (specify) _____	☐	0	☐	0	☐	0	☐	0	☐	1	☐	2	30

29. Some may feel their firm has been affected by foreign (non-U.S.) investments—either directly by investments in their firm or indirectly by investments in other processors. In your opinion, how much, if at all, have foreign investments increased or decreased the following for your firm? (Check one box for each row.)

Conditions possibly affected by foreign investments	Greatly increased		In-creased		No impact		De-creased		Greatly decreased		No basis to judge		No response
	1		2		3		4		5		6		
1. Capital available to our firm	☐	4	☐	9	☐	5	☐	1	☐	0	☐	1	13
2. Our ability to obtain U.S. capital	☐	3	☐	4	☐	10	☐	3	☐	0	☐	0	13
3. Technical and management assistance available to us	☐	5	☐	4	☐	10	☐	0	☐	0	☐	1	13
4. Our total markets for all seafood	☐	4	☐	7	☐	4	☐	3	☐	2	☐	1	12
5. Our domestic markets for all seafood	☐	0	☐	4	☐	13	☐	3	☐	1	☐	0	12
6. Our foreign markets for all seafood	☐	4	☐	7	☐	4	☐	4	☐	1	☐	1	12
7. Our total markets for *new* products	☐	1	☐	4	☐	10	☐	1	☐	0	☐	5	12
8. Our research and development activities	☐	2	☐	3	☐	14	☐	2	☐	0	☐	0	12
9. Prices we sell seafood	☐	1	☐	4	☐	8	☐	4	☐	2	☐	1	13
10. Amount of employment for U.S. citizens	☐	2	☐	8	☐	9	☐	1	☐	0	☐	1	12
11. Prices we pay fishermen or other seafood sources	☐	5	☐	5	☐	8	☐	3	☐	0	☐	0	12
12. Competition with other processors	☐	3	☐	9	☐	7	☐	0	☐	1	☐	1	12
13. Our control over our business operations	☐	0	☐	1	☐	12	☐	4	☐	4	☐	0	12
14. U.S. taxes we pay	☐	1	☐	3	☐	17	☐	0	☐	0	☐	0	12
NORTHWEST PROCESSORS PLEASE CONTINUE WITH THIS QUESTION. NORTHEAST PROCESSORS GO TO QUESTION 30.													
15. Our development of the Alaska bottomfish industry	☐	1	☐	1	☐	7	☐	1	☐	2	☐	7	14
16. Our development of the Pacific bottomfish industry	☐	1	☐	2	☐	6	☐	1	☐	2	☐	7	14

V. GOVERNMENT REGULATIONS

30. What kind of government regulations, if any, do you feel should be placed on foreign *ownership* of U.S. seafood processors? (Check the one block that best describes your position.)

1. ☐	Liberalize regulations to encourage foreign ownership	2
2. ☐	Make no changes in regulations	9
3. ☐	Require periodic disclosure to the government of foreign ownership	4
4. ☐	In addition to disclosure, restrict the amount of foreign ownership	11
5. ☐	Exclude all foreign ownership in U.S. seafood processing firms.	2
	No response	5

31. What level of government should have primary responsibility for regulating foreign *ownership*? (Check one.)

1. ☐	Federal Government	20
2. ☐	State government	6
3. ☐	Other (specify) A/	3
	No response	4

32. What kind of government regulations, if any, do you feel should be placed on foreign *loans* to U.S. seafood processors? (Check the one block that best describes your position.)

1. ☐	Liberalize regulations to encourage foreign loans	6
2. ☐	Make no changes in regulations	11
3. ☐	Require periodic disclosure to the government of foreign loans	4
4. ☐	In addition to disclosure, restrict the amount of foreign loans	6
5. ☐	Exclude all foreign loans to U.S. seafood processors	1
	No response	5

33. What level of government should have primary responsibility for regulating foreign *loans*? (Check one.)

1. ☐	Federal Government	18
2. ☐	State government	5
3. ☐	Other (specify) A/	5
	No response	5

A/Does not lend itself to summarization.

APPENDIX V

RESPONSES FROM EAST COAST [1/] SEAFOOD PROCESSORS

WITHOUT FOREIGN INVESTMENT

I. OWNERSHIP

1. Which of the following best describes your firm? (Check one.)

1. ☐	Individual proprietorship (Go to question 2.)	1
2. ☐	Partnership (Go to question 3.)	0
3. ☐	Cooperative (Go to question 5.)	0
4. ☐	Corporation (Go to question 7.)	30

2. Is the proprietor a U.S. citizen? (Check one.)

1. ☐	No	0
2. ☐	Yes	1

(Go to question 17.)

3. Approximately how many partners were in your firm in 1979? (Check one.)

1. ☐	Less than 4	0
2. ☐	5 to 99	0
3. ☐	100 to 499	0
4. ☐	500 or more	0

4. Approximately what percent of the partners are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	0
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

(Go to question 17.)

5. Approximately how many members were in your cooperative in 1979? (Check one.)

1. ☐	Less than 100	0
2. ☐	100 to 199	0
3. ☐	200 to 499	0
4. ☐	500 and above	0

6. Approximately what percent of your members are foreigners (not U.S. citizens)?

1. ☐	None, all are U.S. citizens.	0
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

(Go to question 17.)

7. Approximately how many shareholders, who are authorized to vote, were in your corporation in fiscal year 1979? (Check one.)

1. ☐	Less than 100	30
2. ☐	100 to 499	0
3. ☐	500 to 999	0
4. ☐	1000 or more	0

8. Approximately what percent of your corporation's shareholders, who are authorized to vote, are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	30
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6 ☐	100%	0
7. ☐	Don't know	0

9. Are shares in your corporation publicly traded? (Check one.)

1. ☐	Yes	0
2. ☐	No	30

[1/] Includes Connecticut, Massachusetts, New Hampshire, New Jersey, New York, and Rhode Island.

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10. Approximately what percent of the corporation's board members are foreigners (not U.S. citizens)? (Check one.)

1.	☐ None, all are U.S. citizens	30
2.	☐ 1 to 24%	0
3.	☐ 25 to 49%	0
4.	☐ 50 to 74%	0
5.	☐ 75 to 99%	0
6.	☐ 100%	0
7.	☐ Don't know	0

11. Approximately what percent of the corporation's executive officers are foreigners (not U.S. citizens)? (Check one.)

1.	☐ None, all are U.S. citizens	30
2.	☐ 1 to 24%	0
3.	☐ 25 to 49%	0
4.	☐ 50 to 74%	0
5.	☐ 75 to 99%	0
6.	☐ 100%	0

12. Where is your firm incorporated? (Check one.)

1.	☐ United States	30
2.	☐ Canada	0
3.	☐ Iceland	0
4.	☐ Japan	0
5	☐ Norway	0
6.	☐ Other. Specify _____	0

II. SIZE AND TYPE OF OPERATION

17. Approximately what were your firm's total assets for your 1979 fiscal year? (Check one.)

1.	☐ Less than $250,000	5
2.	☐ $250,000 to $499,999	0
3.	☐ $500,000 to $999,999	5
4.	☐ $1,000,000 to $4,999,999	14
5.	☐ $5,000,000 to $9,999,999	5
6.	☐ $10,000,000 or more	1
	No response	1

18. Approximately what was your firm's gross operating revenue for your 1979 fiscal year? (Check one.)

1.	☐ Less than $250,000	1
2.	☐ $250,000 to $499,999	0
3.	☐ $500,000 to $999,999	5
4.	☐ $1,000,000 to $4,999,999	13
5.	☐ $5,000,000 to $9,999,999	3
6.	☐ $10,000,000 or more	8
	No response	1

GAO Note: Responses to questions 13, 14, 15, 16, 19, 23, 24, 34, and 35 are not summarized in this appendix. Copies of the questions are in appendix II.

APPENDIX V

III. DEBT

20. Approximately what was your firm's total outstanding debt (short and long term) for the 1979 fiscal year? (Check one.)

1. ☐	Less than $250,000	9
2. ☐	$250,000 to $499,999	7
3. ☐	$500,000 to $999,999	5
4. ☐	$1,000,000 to $4,999,999	7
5. ☐	$5,000,000 to $9,999,999	1
6. ☐	$10,000,000 or more	1
	No response	1

21. To the best of your knowledge was any of this debt in the form of loans from foreign individuals (non-U.S. citizens) or foreign organizations (Non U.S. organizations incorporated or chartered in a foreign country, including U.S. branches of foreign banks)?

1. ☐	Yes	0
2 ☐	No *(Go to question 27.)*	31

22. What was the approximate total amount of these foreign loans? (Check one.)

1. ☐	Less than $250,000	0
2. ☐	$250,000 to $499,999	0
3. ☐	$500,000 to $999,999	0
4. ☐	$1,000,000 to $4,999,999	0
5. ☐	$5,000,000 to $9,999,999	0
6. ☐	$10,000,000 or more	0

25. Which of the following provisions are included as part of any of these loan arrangements? (Check all that apply.)

1. ☐	Provides for a representative of the foreign lender on your firm's Board of directors.	0
2. ☐	Provides for a representative of the foreign lender to serve as a executive officer in your firm.	0
3. ☐	Provides for a representative of the foreign lender to serve as a technician in your processing plant.	0
4. ☐	Provides for the foreign lender to acquire a portion of your firm's production.	0
5. ☐	Other (specify) _____ _____	0
6. ☐	No special provisions such as listed above.	0

26. It has been alleged that most foreign loans are from seven large Japanese firms. We would like to verify this allegation. Which of the following foreign organizations, if any, provided loans to your firm? (Check all that apply.)

1. ☐	Kyokuyo	0
2. ☐	Marubeni	0
3. ☐	Mitsubishi	0
4. ☐	Mitsui	0
5. ☐	Nichiro Gyogyo Kaisha	0
6. ☐	Nippon Suisan Kaisha	0
7. ☐	Taiyo	0
8. ☐	None of the above	0

IV. POSSIBLE IMPACTS OF FOREIGN ACTIVITIES ON U.S. FIRMS

If 51% or more of this firm's ownership belongs to non-U.S. citizens, skip to question 30.

27. In your opinion how much, if at all, are foreign individuals or companies engaging in the following activities regarding the U.S. seafood *processing industry*? (Check one box for each row.)

	Great extent	Some extent	Little if any	No basis to judge	No response
	1	2	3	4	
1. Making loans to U.S. processors	☐ 4	☐ 7	☐ 2	☐ 16	2
2. Buying shares in U.S. processing firms	☐ 4	☐ 9	☐ 1	☐ 14	3
3. Setting up processing plants in the U.S.	☐ 5	☐ 9	☐ 1	☐ 13	3
4. Giving preferential pricing to selected processors	☐ 4	☐ 6	☐ 4	☐ 14	3
5. Controlling seafood supplies	☐ 8	☐ 5	☐ 2	☐ 13	3
6. Controlling the seafood market	☐ 6	☐ 7	☐ 5	☐ 10	3
7. Other (specify) _____	☐ 0	☐ 0	☐ 0	☐ 5	26

28. In your opinion what kinds of impact, if any, are the following foreign activities having on *your firm*? (Check one box for each row.)

	Very favorable impact	Favorable impact	No impact	Unfavorable impact	Very unfavorable impact	No basis to judge	No response
	1	2	3	4	5	6	
1. Making loans to U.S. processors	☐ 0	☐ 0	☐ 6	☐ 8	☐ 0	☐ 13	4
2. Buying shares in U.S. processing firms	☐ 0	☐ 0	☐ 6	☐ 8	☐ 1	☐ 11	5
3. Setting up processing plants in the U.S.	☐ 0	☐ 1	☐ 5	☐ 4	☐ 4	☐ 12	5
4. Giving preferential pricing to selected processors	☐ 0	☐ 1	☐ 2	☐ 6	☐ 3	☐ 14	5
5. Controlling seafood supplies	☐ 0	☐ 2	☐ 3	☐ 4	☐ 4	☐ 13	5
6. Controlling the seafood market	☐ 0	☐ 2	☐ 4	☐ 5	☐ 4	☐ 11	5
7. Other (specify) _____	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 6	25

29. Some may feel their firm has been affected by foreign (non-U.S.) investments—either directly by investments in their firm or indirectly by investments in other processors. In your opinion, how much, if at all, have foreign investments increased or decreased the following for your firm? (Check o ne box for each row.)

Conditions possibly affected by foreign investments	Greatly increased		In-creased		No impact		De-creased		Greatly decreased		No basis to judge		No response
	1		2		3		4		5		6		
1. Capital available to our firm	☐	1	☐	0	☐	15	☐	0	☐	0	☐	11	4
2. Our ability to obtain U.S. capital	☐	1	☐	1	☐	13	☐	2	☐	0	☐	9	5
3. Technical and management assistance available to us	☐	1	☐	6	☐	8	☐	1	☐	0	☐	9	6
4. Our total markets for all seafood	☐	1	☐	5	☐	6	☐	4	☐	2	☐	7	6
5. Our domestic markets for all seafood	☐	1	☐	2	☐	8	☐	5	☐	3	☐	6	6
6. Our foreign markets for all seafood	☐	1	☐	4	☐	4	☐	4	☐	1	☐	11	6
7. Our total markets for *new* products	☐	1	☐	3	☐	7	☐	3	☐	1	☐	10	6
8. Our research and development activities	☐	1	☐	2	☐	9	☐	2	☐	1	☐	10	6
9. Prices we sell seafood	☐	2	☐	6	☐	4	☐	3	☐	3	☐	7	6
10. Amount of employment for U.S. citizens	☐	1	☐	3	☐	8	☐	2	☐	1	☐	10	6
11. Prices we pay fishermen or other seafood sources	☐	3	☐	8	☐	3	☐	3	☐	2	☐	7	5
12. Competition with other processors	☐	3	☐	7	☐	6	☐	1	☐	0	☐	8	6
13. Our control over our business operations	☐	1	☐	2	☐	12	☐	2	☐	2	☐	6	6
14. U.S. taxes we pay	☐	2	☐	4	☐	7	☐	4	☐	1	☐	7	6
NORTHWEST PROCESSORS PLEASE CONTINUE WITH THIS QUESTION. NORTHEAST PROCESSORS GO TO QUESTION 30.													
15. Our development of the Alaska bottomfish industry	☐	0	☐	0	☐	0	☐	0	☐	0	☐	1	30
16. Our development of the Pacific bottomfish industry	☐	0	☐	0	☐	0	☐	0	☐	0	☐	1	30

APPENDIX V

V. GOVERNMENT REGULATIONS

30. What kind of government regulations, if any, do you feel should be placed on foreign *ownership* of U.S. seafood processors? (Check the one block that best describes your position.)

1. ☐	Liberalize regulations to encourage foreign ownership	1
2. ☐	Make no changes in regulations	7
3. ☐	Require periodic disclosure to the government of foreign ownership	4
4. ☐	In addition to disclosure, restrict the amount of foreign ownership	6
5. ☐	Exclude all foreign ownership in U.S. seafood processing firms.	10
	No response	3

31. What level of government should have primary responsibility for regulating foreign *ownership*? (Check one.)

1. ☐	Federal Government	20
2. ☐	State government	3
3. ☐	Other (specify)A/	3
	No response	5

32. What kind of government regulations, if any, do you feel should be placed on foreign *loans* to U.S. seafood processors? (Check the one block that best describes your position.)

1. ☐	Liberalize regulations to encourage foreign loans	5
2. ☐	Make no changes in regulations	8
3. ☐	Require periodic disclosure to the government of foreign loans	1
4. ☐	In addition to disclosure, restrict the amount of foreign loans	6
5. ☐	Exclude all foreign loans to U.S. seafood processors	8
	No response	3

33. What level of government should have primary responsibility for regulating foreign *loans*? (Check one.)

1. ☐	Federal Government	23
2. ☐	State government	0
3. ☐	Other (specify)A/	3
	No response	5

A/Does not lend itself to summarization.

APPENDIX VI

RESPONSES FROM EAST COAST [1] SEAFOOD PROCESSORS WITH FOREIGN INVESTMENT

I. OWNERSHIP

1. Which of the following best describes your firm? (Check one.)

1. ☐	Individual proprietorship (Go to question 2.)	0
2. ☐	Partnership (Go to question 3.)	0
3. ☐	Cooperative (Go to question 5.)	0
4. ☐	Corporation (Go to question 7.)	5

2. Is the proprietor a U.S. citizen? (Check one.)

1. ☐	No	0
2. ☐	Yes	6

(Go to question 17.)

3. Approximately how many partners were in your firm in 1979? (Check one.)

1. ☐	Less than 4	0
2. ☐	5 to 99	0
3. ☐	100 to 499	0
4. ☐	500 or more	0

4. Approximately what percent of the partners are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	0
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

(Go to question 17.)

5. Approximately how many members were in your cooperative in 1979? (Check one.)

1. ☐	Less than 100	0
2. ☐	100 to 199	0
3. ☐	200 to 499	0
4. ☐	500 and above	0

6. Approximately what percent of your members are foreigners (not U.S. citizens)?

1. ☐	None, all are U.S. citizens.	0
2. ☐	1 to 24%	0
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	0
7. ☐	Don't know	0

(Go to question 17.)

7. Approximately how many shareholders, who are authorized to vote, were in your corporation in fiscal year 1979? (Check one.)

1. ☐	Less than 100	4
2. ☐	100 to 499	0
3. ☐	500 to 999	0
4. ☐	1000 or more	1

8. Approximately what percent of your corporation's shareholders, who are authorized to vote, are foreigners (not U.S. citizens)? (Check one.)

1. ☐	None, all are U.S. citizens	0
2. ☐	1 to 24%	2
3. ☐	25 to 49%	0
4. ☐	50 to 74%	0
5. ☐	75 to 99%	0
6. ☐	100%	3
7. ☐	Don't know	0

9. Are shares in your corporation publicly traded? (Check one.)

1. ☐	Yes	1
2. ☐	No	4

[1] Includes Connecticut, Massachusetts, New Hampshire, New Jersey, New York, and Rhode Island.

APPENDIX VI

10. Approximately what percent of the corporation's board members are foreigners (not U.S. citizens)? (Check one.)

1.	☐ None, all are U.S. citizens	2
2.	☐ 1 to 24%	0
3.	☐ 25 to 49%	1
4.	☐ 50 to 74%	0
5.	☐ 75 to 99%	2
6.	☐ 100%	0
7.	☐ Don't know	0

11. Approximately what percent of the corporation's executive officers are foreigners (not U.S. citizens)? (Check one.)

1.	☐ None, all are U.S. citizens	4
2.	☐ 1 to 24%	0
3.	☐ 25 to 49%	1
4.	☐ 50 to 74%	0
5.	☐ 75 to 99%	0
6.	☐ 100%	0

12. Where is your firm incorporated? (Check one.)

1.	☐ United States	5
2.	☐ Canada	0
3.	☐ Iceland	0
4.	☐ Japan	0
5.	☐ Norway	0
6.	☐ Other. Specify _____	0

II. SIZE AND TYPE OF OPERATION

17. Approximately what were your firm's total assets for your 1979 fiscal year? (Check one.)

1.	☐ Less than $250,000	0
2.	☐ $250,000 to $499,999	0
3.	☐ $500,000 to $999,999	0
4.	☐ $1,000,000 to $4,999,999	0
5.	☐ $5,000,000 to $9,999,999	0
6.	☐ $10,000,000 or more	5

18. Approximately what was your firm's gross operating revenue for your 1979 fiscal year? (Check one.)

1.	☐ Less than $250,000	0
2.	☐ $250,000 to $499,999	0
3.	☐ $500,000 to $999,999	0
4.	☐ $1,000,000 to $4,999,999	0
5.	☐ $5,000,000 to $9,999,999	1
6.	☐ $10,000,000 or more	4

GAO Note: Responses to questions 13, 14, 15, 16, 19, 23, 24, 34, and 35 are not summarized in this appendix. Copies of the questions are in appendix II.

APPENDIX VI

III. DEBT

20. Approximately what was your firm's total outstanding debt (short and long term) for the 1979 fiscal year? (Check one.)

1. ☐	Less than $250,000	0
2. ☐	$250,000 to $499,999	0
3. ☐	$500,000 to $999,999	0
4. ☐	$1,000,000 to $4,999,999	1
5. ☐	$5,000,000 to $9,999,999	0
6. ☐	$10,000,000 or more	4

21. To the best of your knowledge was any of this debt in the form of loans from foreign individuals (non-U.S. citizens) or foreign organizations (Non U.S. organizations incorporated or chartered in a foreign country, including U.S. branches of foreign banks)?

1. ☐	Yes	5
2. ☐	No *(Go to question 27.)*	0

22. What was the approximate total amount of these foreign loans? (Check one.)

1. ☐	Less than $250,000	0
2. ☐	$250,000 to $499,999	0
3. ☐	$500,000 to $999,999	0
4. ☐	$1,000,000 to $4,999,999	2
5. ☐	$5,000,000 to $9,999,999	1
6. ☐	$10,000,000 or more	2

25. Which of the following provisions are included as part of any of these loan arrangements? (Check all that apply.)

1. ☐	Provides for a representative of the foreign lender on your firm's Board of directors.	0
2. ☐	Provides for a representative of the foreign lender to serve as a executive officer in your firm.	0
3. ☐	Provides for a representative of the foreign lender to serve as a technician in your processing plant.	0
4. ☐	Provides for the foreign lender to acquire a portion of your firm's production.	0
5. ☐	Other (specify) _____ _____	0
6. ☐	No special provisions such as listed above.	5

26. It has been alleged that most foreign loans are from seven large Japanese firms; We would like to verify this allegation. Which of the following foreign organizations, if any, provided loans to your firm? (Check all that apply.)

1. ☐	Kyokuyo	0
2. ☐	Marubeni	0
3. ☐	Mitsubishi	0
4. ☐	Mitsui	0
5. ☐	Nichiro Gyogyo Kaisha	0
6. ☐	Nippon Suisan Kaisha	0
7. ☐	Taiyo	0
8. ☐	None of the above	4
	No response	1

IV. POSSIBLE IMPACTS OF FOREIGN ACTIVITIES ON U.S. FIRMS

If 51% or more of this firm's ownership belongs to non-U.S. citizens, skip to question 30.

27. In your opinion how much, if at all, are foreign individuals or companies engaging in the following activities regarding the U.S. seafood *processing industry*? (Check one box for each row.)

	Great extent	Some extent	Little if any	No basis to judge	No response
	1	2	3	4	
1. Making loans to U.S. processors	☐ 0	☐ 0	☐ 0	☐ 1	4
2. Buying shares in U.S. processing firms	☐ 0	☐ 0	☐ 0	☐ 1	4
3. Setting up processing plants in the U.S.	☐ 0	☐ 0	☐ 0	☐ 1	4
4. Giving preferential pricing to selected processors	☐ 0	☐ 0	☐ 0	☐ 1	4
5. Controlling seafood supplies	☐ 0	☐ 0	☐ 0	☐ 1	4
6. Controlling the seafood market	☐ 0	☐ 0	☐ 0	☐ 1	4
7. Other (specify) _____	☐ 0	☐ 0	☐ 0	☐ 0	5

28. In your opinion, what kinds of impact, if any, are the following foreign activities having on *your firm*? (Check one box for each row.)

	Very favorable impact	Favorable impact	No impact	Unfavorable impact	Very unfavorable impact	No basis to judge	No response
	1	2	3	4	5	6	
1. Making loans to U.S. processors	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
2. Buying shares in U.S. processing firms	☐ 0	☐ 0	☐ 0	☐ 1	☐ 0	☐ 1	3
3. Setting up processing plants in the U.S.	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
4. Giving preferential pricing to selected processors	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
5. Controlling seafood supplies	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
6. Controlling the seafood market	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
7. Other (specify) _____	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	5

29. Some may feel their firm has been affected by foreign (non-U.S.) investments—either directly by investments in their firm or indirectly by investments in other processors. In your opinion, how much, if at all, have foreign investments increased or decreased the following for your firm? (Check one box for each row.)

	Conditions possibly affected by foreign investments	Greatly increased	In-creased	No impact	De-creased	Greatly decreased	No basis to judge	No response
		1	2	3	4	5	6	
1.	Capital available to our firm	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
2.	Our ability to obtain U.S. capital	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
3.	Technical and management assistance available to us	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
4.	Our total markets for all seafood	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
5.	Our domestic markets for all seafood	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
6.	Our foreign markets for all seafood	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
7.	Our total markets for *new* products	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
8.	Our research and development activities	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
9.	Prices we sell seafood	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
10.	Amount of employment for U.S. citizens	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
11.	Prices we pay fishermen or other seafood sources	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
12.	Competition with other processors	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
13.	Our control over our business operations	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
14.	U.S. taxes we pay	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 1	4
	NORTHWEST PROCESSORS PLEASE CONTINUE WITH THIS QUESTION. NORTHEAST PROCESSORS GO TO QUESTION 30.							
15.	Our development of the Alaska bottomfish industry	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	5
16.	Our development of the Pacific bottomfish industry	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	☐ 0	5

APPENDIX VI

APPENDIX VI

APPENDIX VI

V. GOVERNMENT REGULATIONS

30. What kind of government regulations, if any, do you feel should be placed on foreign *ownership* of U.S. seafood processors? (Check the one block that best describes your position.)

1. ☐ Liberalize regulations to encourage foreign ownership	0
2. ☐ Make no changes in regulations	3
3. ☐ Require periodic disclosure to the government of foreign ownership	1
4. ☐ In addition to disclosure, restrict the amount of foreign ownership	0
5. ☐ Exclude all foreign ownership in U.S. seafood processing firms.	0
No response	1

31. What level of government should have primary responsibility for regulating foreign *ownership*? (Check one.)

1. ☐ Federal Government	1
2. ☐ State government	0
3. ☐ Other (specify) A/	2
No response	2

32. What kind of government regulations, if any, do you feel should be placed on foreign *loans* to U.S. seafood processors? (Check the one block that best describes your position.)

1. ☐ Liberalize regulations to encourage foreign loans	1
2. ☐ Make no changes in regulations	1
3. ☐ Require periodic disclosure to the government of foreign loans	1
4. ☐ In addition to disclosure, restrict the amount of foreign loans	0
5. ☐ Exclude all foreign loans to U.S. seafood processors	0
No response	2

33. What level of government should have primary responsibility for regulating foreign *loans*? (Check one.)

1. ☐ Federal Government	1
2. ☐ State government	0
3. ☐ Other (specify) A/	2
No response	2

A/Does not lend itself to summarization.

MERCHANT MARINE SELECT SUBCOMMITTEE ON MARITIME EDUCATION AND TRAINING
LES AUCOIN, OR., CHAIRMAN

SUBCOMMITTEE ON FISHERIES WILDLIFE CONSERVATION AND THE ENVIRONMENT
SUBCOMMITTEE ON OCEANOGRAPHY

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

October 3, 1979

The Honorable Elmer B. Staats
Comptroller General of the United States
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Staats:

For some time I have been deeply concerned about the extent and impact of foreign investment on the U.S. fishing industry. There is woefully inadequate information with respect to the extent of this investment and its implication on the development of the domestic fishing industry. Indications are, however, that since implementation of the Fishery Conservation and Management Act of 1976, which limits the amount and species of fish foreign vessels can harvest in U.S. waters, foreign ownership in the processing sector has increased markedly, especially in the Pacific Northwest and Alaska.

In view of the above, I am requesting that the General Accounting Office gather data on the extent and nature of such investment (including "captive loans" and market manipulation techniques) and study the impact such investment has on the U.S. seafood processing industry. Although I am primarily concerned about such investment in the Pacific Northwest and Alaska, you need not restr your study to that area. I am aware of two studies of foreign investment in Alaska's fishing industry currently being performed by Frank Orth and Associates, Seattle, Washington; and by the Department of Commerce's Office of Foreign Investment. You should coordinate your efforts with these groups to help avoid any duplication.

Recently I introduced legislation, H.R. 1906, which would limit foreign investment, as well as require an annual report on the level of foreign investment in the U.S. fishing industry. Your study will be most helpful to me and the Congress in consideration of this legislation.

I look forward to receiving the results of your work as soon as possible. Under present plans, I expect that shortly after the ne

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APPENDIX VII

session of Congress we will have hearings on this matter.

Throughout the course of your work, I request that you keep my office advised of your progress and if there is any additional information my office can provide, please let me know.

With warm regards,

Sincerely,

LES AuCOIN
Chairman
Ad Hoc Select Subcommittee on
Maritime Education and Training

LA/dpa

APPENDIX VIII

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

February 12, 1981

Mr. Henry Eschwege
Director, Community and Economic
Development Division
U. S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Eschwege:

This is in reply to your letter of December 10, 1980, requesting comments on the draft report entitled "Foreign Investment in U. S. Seafood Processors -- Issues and Observations."

We have received the enclosed comments of the Acting Administrator, National Oceanic and Atmospheric Administration for the Department of Commerce and believe they are responsive to the matters discussed in the report.

Sincerely,

for Frederic A. Haim, Jr.
Acting Inspector General

Enclosure

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
Washington, D.C. 20230

OFFICE OF THE ADMINISTRATOR

February 12, 1981

Mr. Henry Eschwege
Director, Community and Economic
Development Division
U.S. General Accounting Office
Washington, D.C. 20540

Dear Mr. Eschwege:

This is in response to your letter of December 10, 1980, requesting the Department of Commerce's comments on a draft report entitled "Foreign Investment in U.S. Seafood Processors--Issues and Observations."

The draft report provides a useful analysis of the complexities involved in measuring the extent and impact of foreign investment in the U.S. seafood processing industry.

The draft report (page ii of the Digest and page 15 of the main body of the report) seems to imply that Commerce, and particularly the Office of Foreign Investment in the United States (OFIUS), has intentionally avoided an in-depth analysis of foreign direct investment (FDI) in the U.S. seafood processing industry because it is a "minor industry." In fact, OFIUS and the Bureau of Economic Analysis (BEA) are responsible for collecting comprehensive data and for conducting various analyses of FDI. OFIUS and BEA have limited resources and their analyses have highlighted those industries with the greatest level of FDI. Once concerns over the potential impact of increased FDI on the U.S. fish processing industry were voiced by Congress and others, the Department of Commerce agreed to undertake a rigorous, in-depth study of this sector.

GAO Comment: This statement agrees with our discussion beginning on p. 15.

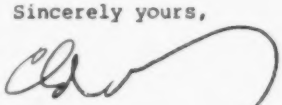
The study will be based on data collected (on a mandatory and confidential basis) from the entire universe of U.S. fish processors, packagers and wholesalers defined as foreign-owned--those in which one foreign entity owns or controls, directly or indirectly, 10 percent or more of the voting securities of an incorporated U.S. business enterprise. The special survey designed to collect these data has involved input from OFIUS, BEA, and the National Marine Fisheries Service (NMFS), as well as an organization representing the domestic industry. Tabulation of survey responses should provide an accurate assessment of the extent of foreign ownership and provide insight into the economic impact of foreign-owned respondents on the overall U.S. industry.

APPENDIX VIII

We suggest the following change to the text in the paragraph beginning at the bottom of page 22 and ending at the top of page 23 to reflect the different activity levels required for the Benchmark Survey (1974 and 1980) and the annual surveys (1977-79). The underlined language below represents our suggested changes.

> "Moreover, because BEA does not collect data from businesses having assets, net sales or gross revenues, and net income less than $5 million in a reporting year in their annual surveys, its current foreign investment data may be understated....As a result, many seafood processors with foreign ownership may be exempt from BEA's minimum annual reporting level."

Sincerely yours,



Eldon Greenberg
Acting Administrator

GAO Comment: Suggested clarification added. See page 15.

APPENDIX XI

APPENDIX IX

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
DIVISION OF BANKING, SECURITIES, SMALL LOANS & CORPORATIONS

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2521

January 6, 1981

Mr. Henry Eschwege
Director
Community & Economic
Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Eschwege:

Your letter of December 10, 1980 to Commissioner Webber has been referred to me for comment. That letter, of course, pertained to the draft report to the Chairman of the Ad Hoc Select Subcommittee on Maritime Education and Training of the House Committee on Merchant Marine and Fisheries.

My comments are keyed to the text that was included with your letter and are as follows.

First, in the first section entitled "Alaska Requires Disclosing Foreign Ownership -- But Compliance Has Been Questionable," the reference to "firms operating" in Alaska is misleading. That phrase in the first line of the section should be replaced by "Domestic and Foreign Corporations Doing Business."

GAO Comment: Sentence revised to "U.S. and foreign * * *." See p. 17.

Second, in that same paragraph there is reference to the alleged lax monitoring of the reports required by State law. I would like to point out that while the consultant's report did make that statement, I believe the statement to be untrue. The reason for noncompliance with the law in 1979 was not the result of lax administration by this division. Rather, the reason for noncompliance with the statute was that the law itself was vague and the Legislature has not appropriated funds to provide effective enforcement of even the new law enacted on July 1, 1980. That new law was the result of substantial input by this division as to workable language to provide effective enforcement.

GAO Comment: Sentence added discussing vagueness and insufficient funding. See p. 17.

Third, there is reference to the status of processing of forms and taxes for the year 1978. It is true that the division was still seeking compliance by certain corporations as late as October 1979. What is not stated is that this predicament is a direct result of the present Alaska Business Corporation Act (AS 10.05), which allows a corporation to be delinquent for up to nine months from the filing deadline of January 2 of each year before the department can take the definitive step of dissolving the corporation.

GAO Comment: Sentence added to clarify. See p. 18.

Fourth, in the third paragraph of this section there is reference to the status of processing in 1979 and reference to the primary cause for the rejection of forms being the failure to report "ownership data." Please be advised that this was not the primary cause. The primary cause was that no information was provided as to the "control" of corporations by alien affiliates.

GAO Comment: Sentence revised to state reports were returned because of incompleteness. See p. 18.

Fifth, in the final paragraph of the section there is reference made to numerous reports with deficient or misleading information. Again, please be advised that the reason for this state of affairs is the lack of financial support to the division to carry out legislative intent. For example, while the Legislature did enact changes to the alien affiliate reporting requirements which should clarify those reporting requirements, the Legislature nevertheless did not pass the appropriations requested by the division to carry out the legislative intent.

GAO Comment: Sentence added discussing insufficient financial support to carry out legislative intent. See p. 18.

With regard to the section of the draft entitled "Improvements Enacted," please be advised that while the Chairman of the Alaska House Interim Committee on Foreign Investment stated that the enactment of the clarification of the alien affiliate requirements would improve foreign ownership disclosure, the division is caught in a position of not being able to fully carry out the legislative intent because of lack of funds to conduct a proper investigation of the filing system and take other steps necessary to enforce the statute.

GAO COMMENT: Page 18 of the draft already discusses funding problems.

APPENDIX IX

I look forward to seeing the revised draft of the report in question with regard to Alaska and, also, the full report on foreign investment in general.

Sincerely,

Julius B. Bracht
Director

JJB/mh2/6

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